

**Required Report:** Required - Public Distribution

**Date:** September 09, 2021

**Report Number:** SA2021-0010

## **Report Name:** Poultry and Products Annual

**Country:** Saudi Arabia

**Post:** Riyadh

**Report Category:** Poultry and Products

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### **Report Highlights:**

In 2020, Post estimates poultry production in Saudi Arabia was 900,000 metric tons (MT) with that total jumping to 910,000 MT in 2021 based on official data released by the Saudi Ministry of Environment, Water and Agriculture (MEWA) as well as discussions with major poultry producers. According to MEWA, the Kingdom's domestic production reached a 60 percent self-sufficiency level in 2020, and there are plans to collaborate with the private sector to increase that level to more than 85 percent by 2030. Complete export data for major exporting countries for Jan-May 2021 shows that Saudi Arabia imported 304,564 MT of chicken meat, an increase of about 34 percent over the same period last year. However, the import ban that the Saudi government imposed in June 2021 on several Brazilian exporting facilities is expected to reduce total chicken meat imports to 520,000 MT in 2021, a decrease of nearly 16 percent compared to 617,930 MT in 2020.

## EXECUTIVE SUMMARY

Post estimates that poultry production in Saudi Arabia for 2020 and 2021 is 900,000 and 910,000 metric tons (MT), respectively, based on official data issued by the Saudi Ministry of Environment, Water and Agriculture (MEWA) as well as discussions with major poultry producers in the Kingdom. Many experts anticipate a significant increase in production in 2022 as a result of major expansion projects at Al Watania Poultry Farm's, the largest chicken meat producer in Saudi Arabia. The low average chicken mortality rate reported in recent years is one of the main factors for the increasing domestic production. MEWA estimates the current chicken mortality rate at less than six percent, which is an incredible achievement compared to the 25 percent mortality rate less than a decade ago.

In 2020, MEWA announced that the Kingdom's domestic production reached a 60 percent self-sufficiency level, and there are plans to collaborate with the private sector to increase the self-sufficiency level to more than 85 percent by 2030. The government has also been actively working to remove obstacles for producers to acquire and use land for poultry production, provide loans for equipment purchases, and reform its subsidy system for feed, livestock, and poultry.

The Kingdom imported 617,930 MT of chicken meat in 2020. In 2021, total chicken meat imports are estimated at 520,000 MT, a decrease of 16 percent compared to 2020. The main reason for the reduction is in June 2021 the Saudi Food and Drug Authority (SFDA) banned imports from 11 main Brazilian poultry exporting facilities. Imports in 2022 are projected to increase by approximately four percent to 540,000 MT. It appears BRF SA, the leading Brazilian chicken meat producer, is pulling together significant resources to increase its exports to Saudi Arabia in order to dominate market share.

Overall demand in 2020 was supported by increased consumption at home since Covid forced many families to stay inside. Meanwhile, overall demand in 2021 will taper off as people returned to the office, and Post predicts a three percent increase as the business, religious, and tourism sector resumed activities after various Covid-related closures. For 2021-22, Post projects Saudi chicken meat exports, mainly to nearby GCC countries, should remain in the range of 30,000 to 40,000 MT.

## PRODUCTION

(Please note: Most of the poultry produced in Saudi Arabia is chicken meat except for approximately 1,500 MT of quail meat produced by Astra Farms in Tabuk.)

MEWA official data placed the total Saudi chicken meat production for 2020 at 900,000 MT, which is similar to USDA's official data. Post projects Saudi 2021 chicken meat production will show an increase of nearly 10,000 MT to 910,000 MT, which is down by 15,000 MT from USDA's official estimate of 925,000 MT. In 2022, local chicken meat production is projected to reach 950,000 MT mainly due to the expected completion of Al Watania Poultry Farm's expansion project in early 2022. The expansion project will increase the farm's daily production from 850,000 to one million chickens per day.

In May 2021, Alyoum Chicken Farm, one of [Almarai's](#) group of companies, also announced a massive production expansion plan at the cost of \$1.8 billion. The new production facility will double chicken meat production from an estimated 180,000 MT in 2020 to 360,000 MT by 2026. In recent years, most

of the increase in domestic chicken meat production has been due to ongoing expansion projects at the three main producers: Al Watania, Fakieh, and Alyoum poultry farms. Medium-sized chicken producers (Tanmiah, Intaj, and Aseer CO-OP) and smaller-sized farms (Radwa and Golden Chicken) have also increased production.

According to MEWA, domestic chicken meat production reached a 60 percent self-sufficiency level in 2020. The ministry plans to collaborate with producers to increase their self-sufficiency level to more than 85 percent by 2030. Production has increased as a result of:

1. Quicker subsidy payments to producers (these are based on chicken meat produced and chicks produced),
2. Lower chicken mortality rates,
3. Significant government support to expand production, particularly the availability and speed of granting licenses for land. Farmers report that MEWA's assistance has been extremely useful in resolving impediments that prevented them from meeting planned expansion targets, such as high-land prices, land ownership disputes, and zoning/environmental restrictions.

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 from a decade ago to less than six percent in recent years. Some well-managed poultry producers have achieved a 2.5 percent or lower mortality rate, which has increased output while significantly reducing overall production costs.

Currently, chicken meat production in Saudi Arabia is concentrated in approximately 10 vertically integrated companies (three large companies: Al Watania, Fakieh, and Alyoum along with seven medium to small sized farms). The 10 firms control up to 95 percent of production. Saudi poultry farms are located in 12 provinces, but 88 percent of chicken meat production comes from six provinces. In 2020, the Al-Qassim province (where Al Watania Poultry Farm is based) accounted for about 33 percent of total Saudi chicken meat production, followed by Makkah with 15 percent, Riyadh with 15 percent, and Aseer and Hail each at 13 percent. The percentage of chicken meat produced in Hail province has been increasing due to the expansion of Almarai's Alyoum Poultry Farm.

## **Production Costs**

Chicken meat production costs in Saudi Arabia are relatively high because the cost of controlling temperatures in chicken houses under extremely hot weather conditions and a heavy reliance on imported feed, vaccines, and equipment. To reduce production costs, the Saudi government (SAG) provides several types of production support. These include monthly production-based direct financial subsidies to poultry producers and interest-free loans as well as rebates on purchasing specific poultry equipment.

Feed costs account for about 70 percent, on average, of poultry production costs in Saudi Arabia. Production costs for the local chicken ranges between \$1.60 - \$1.87 per kg, of dressed weight. This is sometimes higher than the retail price of imported chicken meat. Meanwhile, animal feed subsidies have been critical to the development of Saudi Arabia's poultry sector. In January 2020, Saudi Arabia

eliminated most feed import subsidies and introduced production-based monthly financial payments to poultry producers. (Please note: Highlights of these payments are located throughout this report.)

### **Chicken Production Cycles**

The growing cycle for chickens in Saudi Arabia varies between 28 - 35 days, with an average daily weight gain of 50 grams. When marketed, the average live weight for chicken is approximately 1,400 grams, while the average ready to cook chicken carcasses weigh approximately 1,050 grams. The average feed conversion ratio (FCR) is estimated at approximately 1.70.

### **Spent Chicken Meat**

Many experts have stated 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. These customers generally purchase the birds directly from the farms and cook them for several hours. As such, spent hen meat does not make it to the supermarket shelves in the Kingdom.

MEWA has informed poultry producers they can slaughter spent hens, for further processing, as long as it is scheduled on different days from when younger chickens are slaughtered. Major poultry producers (which also dominate table egg production) prefer burying the birds after slaughter. The companies say that meat from the spent hens is tough and could negatively affect the quality and image of their poultry products. Most of these companies also do not have separate slaughterhouses for spent hens and are concerned that processing spent bird meat on their normal processing lines might pass along a foul odor, which is reportedly emitted from spent hens.

### **Poultry Disease Outbreaks**

Controlling poultry diseases is a significant challenge. According to industry contacts, the chicken mortality rate has declined significantly over the past five years, and it is currently estimated at less than eight percent. The high mortality in Saudi chicken farms was primarily 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. So far in 2021, no major poultry disease issues have been reported in the country.

## **CONSUMPTION**

Saudi 2020 chicken meat consumption is estimated at approximately 1.49 MMT, which is equivalent to USDA's official estimate. In 2021, the demand for chicken meat is projected to decline by approximately six percent compared to the previous year as a result of the departure of migrant workers, reduced imports over the second half of the year, and the government lifting COVID - 19 "stay-at-home" orders, which significantly decreased the demand for homemade meals. Even though Post projects a slight reduction in overall consumption, the Saudi population is growing at approximately two percent, and that trend will eventually turn around. In 2020, the population was estimated at 34.8 million people and is expected to reach 40 million by 2030.

## **Saudi Import Ban Increases Price**

During the week of August 23, 2021, the average price of Brazilian chicken meat increased by 13.5 percent compared to April 2021, which was prior to SFDA's ban on imports from 11 Brazilian chicken meat exporters. A similar ban placed on Ukrainian suppliers by SFDA also increased the average price of Ukrainian chicken meat during the same period by 14.5 percent. Chicken meat consumption is projected to increase next year mainly due to a surge in local production as well as strong imports to meet demand by the food service sector. Overall consumption demand is expected to increase approximately three percent in 2022 to 1.44 MMT as a result of Saudi Arabia relaxing the visa policy to allow in more visitors, which should help drive more consumption in the hospitably sectors.

The per capita chicken meat consumption in 2020 was estimated at approximately 43 kg; the highest rate when compared to other animal proteins. In this report, Saudi per capita chicken meat consumption could be overestimated because it assumes all imported and domestically produced chicken is consumed, except for a small quantity that is exported. No carryover stock is held because no official Saudi inventory data is available for chicken meat, and this report presumes stocks to be zero. However, Saudi importers tend to purchase more than the actual market needs when prices are attractive and sell when prices rise.

## **Demand Fluctuates**

Historically, the Saudi poultry meat market is cyclical. Demand rises dramatically in the winter and during the Umrah and Hajj seasons (prior to Eid-al-Adha); particularly in the cities of Makkah and Medina where visitors go for 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**

Saudi consumers prefer locally produced fresh chicken meat. More than 80 percent of local chicken meat is sold chilled, and many poultry producers have switched their chicken meat production lines from frozen to chilled products for its higher profit margins. 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 -1,100-gram birds. They perceive large chickens (1,200 - 1,500 grams) as old and not tender. Hotels and restaurants prefer a lighter weight bird, 900 - 1,000-gram birds, at the lowest possible price to serve whole, in halves, or quarters. All chicken meat imported into Saudi Arabia is frozen and is consumed mainly by expatriate communities and the foodservice sector. Restaurants and catering companies generally prefer Brazilian frozen chicken as they offer smaller-sized birds, which fit in rotisseries.

The Saudi government stipulates that companies serving food to government institutions should use more than 70 percent local product. 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. Most of the locally produced frozen chicken meat is supplied to the catering sector, and it is very rare to see it sold in retail outlets.

Halal slaughter is not a significant 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 are of a higher Halal standard than imported products, especially from non-Muslim countries like Brazil and France. As such, they prefer to purchase domestically produced chicken meat at higher prices.

## **TRADE**

Complete export data for major exporting countries for Jan-May 2021 shows that Saudi Arabia imported 304,564 MT of chicken meat, an increase of about 34 percent compared to the 227,917 MT imported during the same period last year. Brazil exported 68.8 percent of the total Saudi chicken meat imports for the first five months of this year, or 206,523 MT. Ukraine exported 14.4 percent during the same period, followed by the EU (mainly France) at 8.7 percent, UAE, and Russia each with 2.4 percent. Total chicken meat imports for 2021 are projected at 520,000 MT, an increase of 20,000 MT over USDA's official estimate but nearly 16 percent lower than imports in 2020. This is due to the ban on Brazilian and Ukrainian exporting facilities imposed by SFDA. Imports in 2022 are projected to increase by approximately four percent to 540,000 MT.

### **Banned Imports**

In the first half of 2021, SFDA added several new measures that significantly reduce chicken meat imports from all exporting countries. On May 5, SFDA suspended 11 Brazilian poultry plants owned by three companies from exporting to Saudi Arabia, reportedly for a salmonella outbreak. The facilities accounted for an estimated 60 percent of Brazil's total chicken meat exports to the Saudi market. The three Brazilian poultry companies affected by the import ban are: JBS, Vibra Group (Tyson Foods owns 40 percent), and Agroaraca Industria De Alimentos Ltda (Nicolini). While all three companies lost their most important market in the Middle East, JBS was hit the hardest as it lost the most in terms of export volume and market share. As such, all JBS popular brands (e.g., Seara, Pena Branca, Frangosul, and Lebon) will not be found in the Kingdom's market after imports (shipped prior to May 23, 2021) are depleted.

The second banned company was the Vibra Group. On May 23, SFDA suspended three registered export facilities of the Vibra Group, effectively removing two popular poultry brands (Nat and Avia) from the Saudi Market. The third suspended exporter was Nicolini, with brand names Saada, Nicolini, Aracia, and Walima.

SFDA's decision shocked both Saudi poultry meat importers as well as their Brazilian suppliers. According to various experts, the ban was initially expected to reduce Brazilian chicken meat and product exports to Saudi Arabia by 60 percent for the duration of the ban. However, Brazilian chicken meat export data issued for July showed only a 48 percent decrease in Brazilian exports to Saudi Arabia. Per Brazilian Customs data, in May, Brazil exported 47,136 MT of chicken meat, but the quantity was reduced by 48 percent to 24,402 MT in July.

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

### **SFDA Bans More Imports**

On June 6, 2021, SFDA temporarily suspended imports from Ukraine's largest export facility, PrJSC "Myronivska Pticefabrika" (MHP). Two days later, on June 8, the authority also temporarily banned imports of poultry meat and eggs from three French provinces due to the highly pathogenic avian influenza outbreak. The banned provinces are Landes, Pyrenees-Atlantiques, and Gers. SFDA excluded poultry meat and table eggs that go through thermal processing from the ban, which SFDA stated is enough to ensure the elimination of the bird flu. The authority previously imposed a ban on poultry product imports from France's Saint-Geours-de-Maremne region because of the spread of the same disease.

### **Import Ban Benefits Some**

Currently, the bulk of Brazilian chicken meat is supplied by BRF (whole and chicken parts), and it appears that the company is benefiting from the absence of its leading Brazilian competitors, particularly JBS from the Saudi market. Another Brazilian company, Jagua, supplies deboned chicken meat for use in shawarma restaurants (a popular Middle Eastern-style sandwich). The ban on the 11 Brazilian and Ukrainian chicken meat exporting facilities has eliminated many leading Saudi cold stores from the imported chicken meat business. BRF exports primarily to a Jeddah-based Alwafi Takamul Company, which serves as its Saudi branch company; in other words, it is exporting to itself. Ukraine is currently exporting to only four appointed importers. Some Saudi cold stores, which import Brazilian chicken meat exclusively, are selling locally frozen chicken meat instead. Other importers have commented they are not sure what to do when their existing supplies of Brazilian chicken meat are depleted.

### **Saudi Chicken Meat Imports for 2019-2020**

In 2020, Saudi Arabia imported 617,930 MT of chicken meat, up by nearly three percent from the previous year. The increase in chicken meat imports in 2020 was mainly due to high demand for competitively priced Ukrainian chicken meat by Saudi importers. In 2020, Brazil exported 443,416 MT of chicken meat, or approximately 72 percent of total Saudi imports, down by 1,144 MT from the previous year. Meanwhile, France increased its exports to Saudi Arabia by approximately 7 percent, from 62,683 MT in 2019 to 66,911 in 2020. Ukraine was the third-largest supplier with 63,988 MT, or 11.3 percent of the market, which was an increase of nearly 41 percent from 2019. Russia followed with 13,984 MT, or 2.4 percent of total imports last year, and Argentina was a distant fifth with one percent of the market. The last commercial U.S. chicken meat was exported to Saudi Arabia in May 2018.

| Exporting Country | Saudi Arabia Chicken Meat Imports Per Saudi Customs Data |              |                |              |
|-------------------|--|--------------|----------------|--------------|
|                   | Quantity in MT   |              |                |              |
|                   | Jan-May 2021   | Market Share | Jan-May2020    | Market Share |
| Brazil            | 206,523  | 67.8%        | 172,140        | 75.5%        |
| Ukraine           | 43,915   | 14.4%        | 12,503         | 5.5%         |
| France            | 26,441   | 8.7%         | 24,417         | 10.7%        |
| UAE               | 7,280  | 2.4%         | 4,843          | 2.1%         |
| Russia            | 7,188  | 2.4%         | 5,304          | 2.3%         |
| Argentina         | 6,094  | 2.0%         | 5,140          | 2.3%         |
| Malaysia          | 5,220  | 1.7%         | 0              | 0.0%         |
| Others            | 1,903  | 0.6%         | 3,570          | 1.6%         |
| <b>Total</b>      | <b>304,564</b>   | <b>100%</b>  | <b>227,917</b> | <b>100%</b>  |

Source: TDM

| Exporting Country | Saudi Arabia Chicken Meat Imports Per Saudi Customs Data |              |                |              |
|-------------------|--|--------------|----------------|--------------|
|                   | Quantity in MT   |              |                |              |
|                   | 2020   | Market Share | 2019           | Market Share |
| Brazil            | 443,416  | 71.7%        | 444,560        | 77.6%        |
| France            | 66,911   | 12.9%        | 62,683         | 7.9%         |
| Ukraine           | 63,988   | 11.3%        | 45,497         | 10.9%        |
| Russia            | 13,984   | 2.4%         | 12,205         | 2.2%         |
| Argentina         | 12,307   | 1.0%         | 9,376          | 0.9%         |
| UAE               | 9,927  | 0.3%         | 19,655         | 0.0%         |
| Turkey            | 4,315  | 0.3%         | 4,384          | 0.3%         |
| Jordan            | 1,794  | 0.0%         | 531            | 0.0%         |
| Other Countries   | 1288   | 0.0%         | 1,937          | 0.2%         |
| <b>Total</b>      | <b>617,930</b>   | <b>100%</b>  | <b>600,828</b> | <b>100%</b>  |

Source: TDM

### Local Chicken Meat Prices

Currently, there is no shortage of imported chicken meat in the country. Brazilian, Ukrainian, and French chicken meat is widely available, and prices have been stable for the past several weeks compared to significant increases when import bans were issued. Brazilian chicken meat wholesale prices initially increased at an average price of 13.5 percent, while the average increase for Ukrainian chicken meat was 14.5 percent. The week of August 23, 2021, a box of 10 kgs of Brazilian chicken meat was sold for \$24 - \$24.53. Prior to the ban, prices ranged between \$20.80 - \$21.87 for the same



weight. Meanwhile, a ten kg bag of Ukrainian chicken meat was sold for \$22.93 - \$23.47, and before the ban in April, the prices were \$19.73 - \$20.80. Ukrainian chicken meat exports mainly come from one facility, MHP. Similar increases were reported by France's Doux brand, which is owned by a leading Saudi chicken meat importer ([Almunajem Group](#)).

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

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

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

When the United States last exported chicken meat to Saudi Arabia, the U.S. share of the Saudi import chicken meat market fluctuated between one and three percent. The low level is principally because of SFDA's poultry feed regulations. The authority requires that imported poultry meat be accompanied by a government-issued health certificate attesting that it is from poultry only fed vegetable protein and is free from growth hormones. For FSIS to issue the required animal protein-free certification, exports of U.S. poultry and poultry products to the Kingdom must come from slaughtering facilities that participate in the Agricultural Marketing Service's (AMS) Animal Protein Free Verification (APFV) Program for Poultry. Several U.S. poultry producers do not feed animal protein but do not participate in the APFV program. The conditions make it prohibitively expensive for most U.S. poultry producers to service the Saudi market.

### **Chicken Parts**

While most poultry meat consumption in Saudi Arabia is in the form of whole chicken, demand for chicken parts has soared due to the expansion of catering, fast food outlets, casual dining, and hotels. In 2020, imported chicken parts accounted for approximately 29 percent of total Saudi chicken meat imports or 192,117 MT. Brazil maintained its dominance of the Saudi chicken part import market with 74.3 percent of the market or 142,839 MT, followed by Ukraine at 15.4 percent, Russia (5.1 percent), Turkey (three percent), and Argentina (1.2 percent).

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

| <b>Chicken Parts: HS Codes 020713 and 020714 in MT</b> |             |                     |             |                     |
|--|-------------|---------------------|-------------|---------------------|
| <b>Reporting Country</b>                               | <b>2020</b> | <b>Market Share</b> | <b>2019</b> | <b>Market Share</b> |
|  |             |                     |             |                     |

|              |                |             |                |             |
|--------------|----------------|-------------|----------------|-------------|
| Brazil       | 142,839        | 74.3%       | 138,167        | 79.0%       |
| Ukraine      | 29,496         | 15.4%       | 19,479         | 11.1%       |
| Russia       | 9,887          | 5.1%        | 9,612          | 5.5%        |
| Turkey       | 5,747          | 3.0%        | 5,340          | 3.1%        |
| Argentina    | 2,214          | 1.2%        | 0              | 0.0%        |
| Jordan       | 1,690          | 0.9%        | 1,750          | 1.0%        |
| Other        | 244            | 0.1%        | 519            | 0.3%        |
| <b>Total</b> | <b>192,117</b> | <b>100%</b> | <b>174,867</b> | <b>100%</b> |

Source: TDM

## IMPORT REQUIREMENTS

### 1. Import Registration

In August 2020, SFDA implemented biannual import license requirements for poultry meat and fish/seafood product imports to the Kingdom. Under the system, a Saudi importer is required to complete an online SFDA form and provide specific company information to obtain an import license. This process must be renewed every six months, and an importer must furnish the following to SFDA:

- Country
- Company name
- Supplying establishment information
- Total quantity that will be imported for six months (the valid date of the imports license)

Once a prospective Saudi importer provides the above information, SFDA reviews the application and grants the required import license. Once approved, the licensed importer cannot import more than the approved quantity. Contacts have informed FAS/Riyadh that there are significant delays, at times, for the authority to grant import licenses.

### 2. Import Regulations

Regulations for the import of poultry meat into the Kingdom include:

- a. Ban on Poultry Stunning: Chicken must be slaughtered without the use of electrical immobilization or stunning.
- b. Hormone Free Certification: The official health certificate 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.
- c. 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 the APFV program and the Official Listing of Eligible Suppliers to Saudi can be found [at this link](#).

- d. Quality Standards: Imported poultry meat and products must meet all existing Gulf Standards Organization's (GSO) poultry meat quality standards and specifications.
- e. 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".
- f. 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 in the United States by Halal Certifiers accredited by SFDA.
- g. 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 2020, Saudi Arabia exported 32,538 MT of chicken meat to 19 countries in the Middle East and Africa. The UAE is the leading importer of Saudi chicken meat. Last year it imported 39.4 percent or 12,814 MT. This was followed by Bahrain with 33.9 percent, Kuwait (13 percent), Congo (ROC) with 4.8 percent and Yemen and Guinea (2 percent each).

## **STOCKS**

The government does not hold strategic poultry stocks, and stock data is not publicly available. Stocks are, however, sometimes significant. For PS&D table calculations, we set beginning and ending stocks at zero – holding them constant.

| <b>Saudi Arabia Chicken Meat Exports in MT</b> |               |                     |               |                     |
|--|---------------|---------------------|---------------|---------------------|
| <b>Reporting Country</b>                       | <b>2020</b>   | <b>Export Share</b> | <b>2019</b>   | <b>Export Share</b> |
| UAE  | 12,814        | 39.4%               | 17,370        | 41.5%               |
| Bahrain  | 11,036        | 33.9%               | 9,596         | 22.9%               |
| Kuwait   | 4,297         | 13.2%               | 4,395         | 10.5%               |
| Congo (ROC)                                    | 1,566         | 4.8%                | 729           | 1.7%                |
| Yemen  | 643           | 2.0%                | 2,541         | 6.1%                |
| Guinea   | 648           | 2.0%                | 239           | 0.6%                |
| Oman   | 515           | 1.6%                | 1,111         | 2.7%                |
| Brazil   | 106           | 0.3%                | 3,176         | 7.6%                |
| Other  | 913           | 2.8%                | 2,657         | 6.4%                |
| <b>Total</b>                                   | <b>32,538</b> | <b>100%</b>         | <b>41,814</b> | <b>100%</b>         |

Source: TDM

## **POLICY**

On January 1, 2020, the Saudi government stopped paying animal feed import subsidies (except for some types of forage.) In place, it implemented a new animal feed subsidy regime that provides direct monthly financial subsidies to livestock and poultry farmers based on production.

The government provides up to \$187 million in direct production-based subsidies to the poultry industry annually, and subsidies are listed in the table below. The government believes that paying subsidies based on production will incentivize producers to establish sound biosecurity measures and adopt technology to increase efficiency and productivity. The exchange rate for one USD is 3.75 Saudi riyals (SAR).

| <b>Saudi Production Based Poultry Subsidies</b> |                                 |                        |
|---|---------------------------------|------------------------|
| <b>Poultry Type</b>                             | <b>Subsidy in SAR per Month</b> | <b>Production Unit</b> |
| Broiler parent chick                            | SAR0.40                         | Per chick              |
| Layer parent chick                              | SAR0.20                         | Per chick              |
| Broiler chick                                   | SAR0.14                         | Per chick              |
| Broiler meat                                    | SAR0.65                         | Per kg                 |
| Table eggs                                      | SAR15                           | Per carton of 360 eggs |

## **Incentives for Local & Foreign Investors in Poultry Production**

There are already plans in place on the agricultural front to cover Saudi Arabia's food security needs, especially for agricultural products that do not waste the country's water aquifer resources, one of which is chicken meat production. 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 direct production subsidies, interest-free loans, and rebates on the purchase of specific poultry equipment. At the same time, MEWA has been encouraging local producers to drastically increase production and

reduce poultry mortality rates as part of its Saudi Vision 2030 goal. The Vision 2030 is a strategic framework proposed in 2016 by Prince Mohammed bin Salman, Crown Prince, aimed at reducing the Kingdom's dependence on oil as well as diversify its economy.

Analysts suggest that SFDA's decision to curb mainly Brazilian chicken imports could be a non-tariff trade barrier intended to protect the growing local poultry producers from competitively priced imports. According to MEWA, the Kingdom produced 900,000 MT of chicken meat in 2020, accounting for 60 percent of domestic consumption with estimates near 1.55 MMT in that year. The ban against imports also incentivized expansion of local production and increased overall chicken meat prices as well. Experts predict that reduced imports could also artificially increase the self-sufficiency level.

MEWA expects local production to account for more than 85 percent by 2030. To help meet this target, the ministry offers local chicken meat producers and interested foreign investors various incentives, including up to \$187 million annually as a direct production-based subsidy to the sector. In May 2021, Almarai, the largest Saudi dairy farm and the third-largest chicken meat producer announced a massive poultry expansion plan at the cost of \$1.8 billion, which will double its poultry production over the next five years.

Under Vision 2030, the Saudi government encourages foreign companies to invest in the Saudi market, especially poultry farms. In return, Saudi Arabia offers 100 percent ownership to "local" producers and access to the direct production-based subsidy that is also offered to local poultry farmers. In recent years, BRF SA (largest chicken meat processor in Brazil) invested in two poultry meat processing facilities in Saudi Arabia. In October 2019, the company announced an agreement with the Saudi Ministry of Investment to establish its wholly-owned poultry meat processing plant at a total cost of \$120 million. The firm's Saudi plant is expected to produce approximately 50,000 MT of poultry meat annually.

On May 7, 2020, the company also purchased the Hungry Bunny Food Processing Company (HBFPC), a meat processing factory in Dammam (major industrial city in Saudi Arabia) for nearly \$8 million. BRF SA also plans to invest an additional \$7.2 million in expanding the existing HBEFPC plant's processing capacity by more than four times. HBEFPC was established in 2013.

JBS/Seara has also started investing in the Saudi meat processing industry by purchasing a Dammam-based meat processing company (Vita Food Company). The company established in 1975 is one of the oldest meat processing companies in Saudi Arabia and is well known for its frozen meat products, such as burgers, nuggets, franks/hotdogs, seafood, and other processed meat products.

## **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 units. 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 10 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 Year Begins | 2020             |          | 2021             |          | 2022             |          |
|-------------------------------------|------------------|----------|------------------|----------|------------------|----------|
|                                     | Jan 2020         |          | Jan 2021         |          | Jan 2022         |          |
| Saudi Arabia                        | USDA<br>Official | New Post | USDA<br>Official | New Post | USDA<br>Official | New Post |
| Beginning Stocks (1000 MT)          | 0                | 0        | 0                | 0        | 0                | 0        |
| Production (1000 MT)                | 900              | 900      | 925              | 920      | 0                | 940      |
| Total Imports (1000 MT)             | 618              | 618      | 500              | 520      | 0                | 540      |
| Total Supply (1000 MT)              | 1518             | 1518     | 1425             | 1440     | 0                | 1480     |
| Total Exports (1000 MT)             | 33               | 33       | 35               | 40       | 0                | 40       |
| Human Consumption (1000 MT)         | 1485             | 1485     | 1390             | 1400     | 0                | 1440     |
| Other Use, Losses (1000 MT)         | 0                | 0        | 0                | 0        | 0                | 0        |
| Total Dom. Consumption (1000<br>MT) | 1485             | 1485     | 1390             | 1400     | 0                | 1440     |
| Total Use (1000 MT)                 | 1518             | 1518     | 1425             | 1440     | 0                | 1480     |
| Ending Stocks (1000 MT)             | 0                | 0        | 0                | 0        | 0                | 0        |
| Total Distribution (1000 MT)        | 1518             | 1518     | 1425             | 1440     | 0                | 1480     |
|                                     |                  |          |                  |          |                  |          |
| (1000 MT)                           |                  |          |                  |          |                  |          |

Not Official USDA Data

### Table Eggs

The Saudi table egg sector is highly developed and has been relatively more successful than the chicken sector. For more than two decades, the country has been a surplus table egg producer and a significant exporter to GCC countries. In 2020, the Kingdom produced 350,000 MT of table eggs or 5.8 billion table eggs, an increase of 11 percent compared to 2019.

Additionally in 2020, the Kingdom exported 1,507 MT of table eggs a decrease of 60 percent compared to total exports in 2019. More than 97 percent of the eggs were exported to four GCC countries: 73.4 percent to Bahrain, 12.4 percent to Oman, 8.6 to the UAE percent, and 2.8 to Kuwait.

| <b>Saudi Table Eggs Exports MT (HS Code 0407)</b> |              |                     |              |                     |
|---|--------------|---------------------|--------------|---------------------|
| <b>Importer</b>                                   | <b>2020</b>  | <b>Market Share</b> | <b>2019</b>  | <b>Market Share</b> |
| Bahrain   | 1,106        | 73.4%               | 2,199        | 57.8%               |
| Oman  | 187          | 12.4%               | 559          | 14.7%               |
| UAE   | 130          | 8.6%                | 836          | 22.0%               |
| Kuwait  | 42           | 2.8%                | 141          | 3.7%                |
| Jordan  | 18           | 1.2%                | 39           | 1.0%                |
| Yemen   | 13           | 0.9%                | 29           | 0.8%                |
| Sudan   | 11           | 0.7%                | 0            | 0.0%                |
| <b>Total</b>                                      | <b>1,507</b> | <b>100%</b>         | <b>3,803</b> | <b>100%</b>         |

Source: TDM

### Post Contacts

FAS Riyadh maintains an extensive network of food and agricultural contacts in Saudi Arabia and can provide a list of relevant Saudi food and agricultural product importers to U.S. exporters upon request. U.S. suppliers can also contact post to be matched with prospective importers, assistance clearing consignments of U.S. products, or for information on the market. For additional information on this announcement or for any other assistance, please contact FAS Riyadh at the following:

#### Post Contact Information

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 \*Special thanks to FAS interns (Sarah Pol and Garrett Brogan) for contributing to this report.

#### OAA Riyadh Reports

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

### Attachments:

No Attachments