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Saudi Arabia

Poultry and Products Annual

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Report Highlights:

Broiler meat production in Saudi Arabia is expected to reach 670,000 MT in 2016, 4 percent higher than 2015. Saudi broiler production is projected to further rise to 700,000 MT in 2017. The modest increase in local production is mostly due to ongoing expansion in broiler meat production operations by the three largest Saudi poultry producers. Saudi broiler meat imports in 2016 are expected to decrease to 940,000 MT, a decline of about 2 percent, compared to 2015. In 2015, Brazil controlled 82 percent of the Saudi broiler meat import market with 789,302 MT, followed by France with 15 percent market share and the U.S. with 1 percent. Last year, Saudi Arabia exported 40,000 MT of broiler meat mainly to the GCC countries.

Executive Summary

Broiler meat production in Saudi Arabia is expected to reach 670,000 MT in 2016, about 14 percent less than USDA's official estimate. Post has revised Saudi broiler meat production for 2015 to 648,000 MT from USDA's official estimate of 700,000 MT based on Saudi government data. For 2017, total domestic broiler meat production is forecast to reach 700,000 MT, an increase of 4.4 percent compared to the estimated production in 2016. The main reason for the modest broiler production increases this year and in 2017 is the ongoing production expansion undertaken by the three largest Saudi poultry producers, Al-Watania, Fakieh and Almarai poultry farms.

Saudi Arabia's imports of broiler meat are expected to decline slightly in 2016, to 940,000 MT, from 959,000 MT in 2015. The expected decline of poultry meat imports in 2016 is mostly due to increased Brazilian export prices in the second half of this year and the anticipated increase in the local broiler meat production. Total broiler meat imports in 2017 are projected to drop slightly to 930,000 as local broiler production is expected to continue rising.

Brazil has remained the dominant supplier of broiler meat to Saudi Arabia for over two decades. In 2015, Brazilian chicken exports to the Kingdom reached 789,302 MT, 82 percent of total Saudi broiler meat imports, followed by France with 15 percent market share, U.S. and Argentina each with 1 percent. The small U.S. market share is mostly due to difficulties the U.S. poultry exporters face in meeting the Saudi import requirements, and the import bans imposed on poultry and poultry products from 15 U.S. states which were rescinded on August 22, 2016. Saudi Arabia banned imports from 15 U.S. states due to the detection of Avian Influenza (AI) in poultry farms in September 2014 to May 2015.

The average CIF price of imported broiler meat in August 2016 ranges between \$1,700 and \$1,750 per MT, an increase of \$100 compared to prices offered in the first six months of this year.

The production cost of locally produced broiler meat currently ranges between 6 and 7 Saudi Riyals (SAR) or \$1.6-\$1.87 per kg of average dressed weight. The Saudi government's total subsidies account for about \$0.50 of the per kg production cost. Often, imported frozen chicken is sold at major retailers outlets for between \$1.87 and \$2.13 per kg, depending on the products' brand name. The wholesale price of a carton of imported broiler meat at major retailers, which contains 10 pieces of 1 kg, reached a low of \$14.67 or \$1.47 per kg in the first half of this year.

Saudi Arabia's 2015 broiler meat exports are estimated at 40,000 MT, 33 percent lower than USDA's official estimate. Most Saudi broiler meat exports are shipped to nearby GCC countries; the UAE, Qatar and Bahrain remain the top three markets. Saudi broiler meat exports for 2016 and 2017 are forecast to remain unchanged at 40,000 MT due to higher local demand and the \$533 per MT export tax that the government levies as reimbursement for the various subsidies that local broiler meat producers receive from the Saudi government. The export tax makes Saudi broiler meat less competitive compared to other suppliers.

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

Production

Post estimates Saudi Arabia's 2015 broiler meat production at 648,000 MT. This reduction of 52,000 MT from USDA's official estimate is based on newly available Saudi Ministry of Environment, Water and Agriculture (MEWA) data. Domestic broiler meat production is projected to increase by 3 percent in 2016 to 670,000 MT. This is a decrease of 14 percent compared to the USDA official estimate of 780,000 MT. Domestic broiler meat production in 2017 is forecast at 700,000 MT, an increase of about 4 percent over the production level estimated for 2016. The forecast increase is due to the ongoing expansion of broiler production.

Domestic broiler meat production in 2015-2016 was lower than USDA official estimates due to the inability of several domestic broiler meat producers to meet planned expansion targets. High land prices, land ownership disputes, and government restrictions have made it difficult to obtain or purchase suitable land for expansion. The other factor that limits a drastic expansion in Saudi broiler meat production is continued high chicken mortality in small and medium poultry farms caused mainly by outbreaks of viral diseases such as Newcastle disease.

In 2015 domestic broiler meat production accounted for 41 percent of total domestic consumption. Self-sufficiency in locally produced broiler meat has been decreasing for several years due to increased demand as the result of population growth and increased supply of competitively priced chicken meat imports, mostly from Brazil. The Kingdom's five year plan to increase self-sufficiency to 60 percent is described in the Policy section of this report.

Broiler production in Saudi Arabia is concentrated in about ten vertically-integrated companies (three large companies and 7 medium farms) which control about 80 percent of the total broiler meat production in the country. The MEWA estimates the number of broiler farms in Saudi Arabia in 2014 at 400 units, an increase of 10 percent compared to 363 units in 2010.

Al-Watania is the largest poultry producer in Saudi Arabia, accounting for more than one third of the Kingdom's broiler meat production, followed by Fakieh Poultry Farms; Almarai is a distant third.

About 95 percent of the total Saudi broiler meat production comes from 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 the Eastern Provinces with 6 percent each.

The table below shows Saudi Arabia's broiler meat production in the period 2010 to 2017

Saudi Broiler Production during 2010-2017

Year	Production in MT
2010	425,499
2011	509,397
2012	566,495
2013	583,394
2014*	618,398
2015	648,000
2016*	670,000
2017*	700,000

Source: MEWA and * OAA/Riyadh projection

Production Costs

Broiler meat production costs in Saudi Arabia are relatively high because of the high costs of controlling temperature in the chicken houses under extremely hot weather conditions most of the year and the heavy reliance on imports of poultry feed products, vaccines, as well as equipment. In order to reduce production costs, the Saudi government (SAG) provides several types of production support. These include subsidies for animal feed, and interest-free loans and rebates on the purchase of certain poultry equipment. The total government subsidies offered to the local broiler meat producers is estimated at \$.50 of the per kg production cost.

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 lower international feed prices. 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 distiller's dried grains with solubles (DDGS) and corn gluten feed (CGF) were reduced by 26 and 27 percent to \$99 and \$91 per MT, respectively. Local poultry producers report that the reduction in feed subsidies further increased their production costs and significantly reduced their ability to compete with lower priced imported products. Production costs for local broilers ranged between \$1.6 and \$1.87 per Kg, on average dressed weight which are sometimes higher than the retail prices of some imported broiler meat brands in Saudi market.

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 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 MEWA gave 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 in order to avoid commingling of the two products.

Poultry Disease Outbreaks

Controlling poultry disease outbreaks continues to be a major challenge for the Saudi broiler industry. 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 are attributed mostly to outbreaks of viral diseases such as Newcastle Disease (NCD), 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 poor coordination between the MEWA 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, smaller farms may not vaccinate at all or use the wrong vaccines. Despite the fact that the MEWA provides poultry farmers with free diagnostic services 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 investment of Almari in 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 scale inefficient producers through mergers and/or takeovers to achieve economies of scale in production and marketing of broiler meat. This stiff competition is also expected to force more consolidation and reduce the number of farms in the next few years, to fewer efficient ones. This is similar to what happened in the dairy production sector, which is now controlled by four dairy farms.

In recent years, high poultry mortality and production costs have forced small poultry farmers to enter into contractual farming agreements with larger farmers or establish regional producers' cooperatives.

Contract Farming

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, one of the medium sized broiler meat producers, purchases broilers from 35 contract farmers and markets them under its own Entaj brand. Under contractual farming agreements, farmers are

provided with day-old chicks, poultry feed, medicine and technical assistance at cost value by the contractee. When ready for marketing, the farmers sell the birds back to contractee at agreed upon prices.

Producers Cooperative

Other small farmer groups are setting up regional cooperatives in order to survive under this increasingly competitive domestic poultry market. The Cooperative Association of Aseer Poultry Producers, which was established a few years ago, is owned by 35 broiler meat and table egg producers based in Al-Aseer region. The Cooperative produces about 25,000,000 broilers annually, and owns a feed processing factory and a slaughtering house.

Consumption

Total domestic broiler meat consumption in 2015 is estimated at 1.57 million MT, and is forecast to remain at the same level in 2016. Poultry meat consumption in Saudi Arabia is among the highest in the world, with per capita consumption in 2015 estimated at 50 kg. 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 because no official broiler meat inventory data is available and the beginning/ending stocks for poultry meat are assumed to be zero. 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. A significant quantity of frozen broiler meat may be held as carry-over stocks. Total broiler meat imports reached a record high in 2015 due to attractive prices offered by Brazilian suppliers.

Demand Fluctuation

The Saudi poultry meat market has a cyclical nature. Demand rises dramatically in the winter- 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 perception that it is healthier than 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 the 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.

Consumer Preference

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. Saudi customers do not mind paying as much as 50 percent more for fresh\chilled domestic broiler meat over frozen imported broiler meat. In general, Saudi consumers prefer 900 to 1,100 gram 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 bird at the lowest possible price. All imported broiler meat into Saudi Arabia is frozen, and mostly for consumption by expatriate communities, low income Saudis, and the food service sector. 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 2015, Saudi Arabia imported about 959,000 MT of broiler meat, a record high, and more than 3 percent higher than USDA's official estimate. The significant increase in broiler meat imports in 2015 was mainly due to the lower prices of Brazilian broiler meat as the result of weaker Brazilian Real (BRL) compared to the U.S. Dollar (USD). The Saudi riyal (SAR) is pegged to the USD at the rate of 3.75 SAR/ USD.

Available trade data from supplying countries for the January-June 2016 period puts total Saudi broiler meat imports at 447,410 MT, an increase of about 1 percent compared to 443,724 MT imported in the same period in 2015. Brazil led all poultry exporters and accounted for 85 market share during this period, with quantity exported rising by about 6 percent compared to same period last year. France accounted for 14 percent market share during the first six months of this year and exporting about 12 percent less broiler meat compared to the same period in 2015. The U.S. was a distant third with 1 percent market share and its exports declining by 22 percent compared to the same period a year earlier.

Exporting Country	Saudi Arabia Broiler Meat Imports Quantity in MT			
	Jan-Jun 2015	Market Share	Jan-Jun 2016	Market Share
Brazil	358,367	81%	379,797	85%
France	70,166	16%	61,517	14%
United States	6,422	1%	4,979	1%
Argentina	8,362	2%	1,117	0%
Other	407	0%	0	0%
Total	443,724	100%	447,410	100%

Source: Global Trade Atlas

Reduced Broiler Meat Imports in 2016

January-July 2016 data available for Brazil puts the total Brazilian chicken meat export to Saudi Arabia at 442,174 MT, a slight increase of 531 MT compared to its total export of 441,643 MT in the same period in 2015. The record high Brazilian chicken meat exports to Saudi Arabia in the first six months of this year is attributed mainly to its price competitiveness as a result of the devaluation of the BRL against the SAR. Trade contacts report increased Brazilian broiler meat prices for the second half of this year because of increases in the prices of broiler feed ingredients-particularly high corn prices as a result of a lower than projected Brazilian corn harvest for 2016. This apparently forced Brazilian broiler meat producers to import higher priced corn from Argentina and other Latin American suppliers. According to major Saudi importers, the prices of Brazilian broiler meat have gone up by an average of 6 percent per MT for August arrivals which is forecast to slow down Brazilian exports to Saudi Arabia in the second part of this year. Based on the current increase in Brazilian broiler meat export prices and reduced imports from France in the first six months of this year, Post estimates total Saudi broiler meat imports for 2016 at 940,000 MT. This is a reduction of about 2 percent compared to 2015. For 2017, total Saudi broiler meat imports are forecast to decline slightly to 930,000 MT, mainly due to an increase in local broiler meat production.

Brazil the Dominant Broiler Meat Supplier to Saudi Arabia

For the last two decades, Brazil has remained the dominant supplier of broiler meat to Saudi Arabia, followed by France. In 2015, Brazil supplied 789,302 MT of frozen chicken, about 82 percent of total Saudi broiler meat imports. Brazil increased the quantity of its broiler meat exports in 2015 by about 22 percent over the same period in 2014. French broiler meat exports accounted for 15 percent of the total Saudi imports in 2015 and its total export increased by about 16 percent to 141,238 MT compared to the quantity exported in 2014. Argentina was a distant third supplier of broiler meat to Saudi Arabia in 2015 with exports reaching 14,226 MT, an increase of about 103 percent over 2014. The U.S. chicken meat exports declined by about 37 percent from 17,486 MT (all chicken parts) in 2014 to 10,968 MT in 2015. The small U.S. market share is mostly due to difficulties U.S. poultry exporters face in meeting Saudi import requirements, and the more than one year import bans imposed by SFDA on imports poultry and poultry products from 15 U.S. states which were lifted on August 22, 2016. Saudi Arabia banned imports from 15 U.S. states due to the detection of Avian Influenza (AI) in poultry farms from September 2014 to May 2015.

In the past few years, the U.S. poultry meat market share in the huge and growing Saudi imported broiler meat market has been very small because of the difficulties that U.S. poultry meat exporters face meeting SFDA'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.

Exporting Country	Saudi Arabia Broiler Meat Imports			
	Quantity in MT			
	2014	Market Share	2015	Market Share
Brazil	647,718	81%	789,302	82%
France	121,884	15%	141,238	15%
Argentina	7,010	1%	14,226	1%

United States	17,486	2%	10,968	1%
Other Countries	1,380	0%	1,219	0%
Total	797,492	100%	958,968	100%

Source: Global Trade Atlas

Chicken Parts

Demand for chicken parts has soared in the past several years due to increasing numbers of fast food outlets, casual dining establishments, and increased demand by hotels and catering services. Saudi imports of chicken parts increased by 103 percent in the past six years, from 115,512 MT in 2010 to 234,731 MT in 2015. In 2015, chicken parts accounted for more than 24 percent of the total Saudi broiler meat imports with Brazil accounting for 94 percent of total chicken parts imports. Brazilian chicken parts exports to Saudi Arabia increased by about 102 percent from 2010 to 2015. The U.S. has been a distant second in chicken parts over the past several years. In 2015, U.S. chicken parts exports to Saudi Arabia reached 10,943 MT, down by about 37 percent compared to a year earlier. 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 depend mostly on imported chicken parts. Western casual dining restaurants including Chili's, Apple Bees, Fuddruckers, and TGI Fridays use significant quantities of chicken parts - particularly chicken breast. A large part of imported deboned chicken is destined for Shawarma (popular Middle Eastern style sandwich) that is made of boneless chicken meat or beef mixed with pickles, lettuce and mayonnaise wrapped with pita bread.

Exporting Country	Frozen Chicken Cuts And Edible Offal (Including Livers)					
	Quantity in MT					
	2010	2011	2012	2013	2014	2015
Brazil	109,652	137,862	157,500	168,568	163,657	221,075
United States	3,181	4,769	10,858	22,065	17,237	10,943
Other	669	1,311	765	795	427	698
Total	115,512	145,953	171,135	193,441	183,335	234,731

Source: Global Trade Atlas

Turkey Meat

Saudi Arabia's turkey meat imports are very small. In 2015, Saudi turkey meat imports totaled 1,943 MT, a decrease of 25 percent compared to 2,599 MT imported in 2014. Brazil supplied about 68 percent of imported turkey meat in 2014, followed by France with about 16 percent and imports from the U.S. account for less than 1 percent. In the past few years, the U.S. turkey meat market share has been going down because of the difficulties that U.S. turkey meat exporters face meeting SFDA's requirements that imported turkey meat must come from poultry fed on vegetable only protein and be free from growth hormones. These conditions are very difficult for most U.S. turkey producers to satisfy.

Most imported turkey meat is used to process value added products such as salami, bologna, smoked turkey breast, and honey roasted turkey. The rest is imported for distribution to up-scale supermarkets for Thanksgiving and New Year's holidays.

Exporting Country	Saudi Turkey Meat Imports Quantity in MT					
	2010	2011	2012	2013	2014	2015
Brazil	1,262	1,389	1,283	1,693	1,989	1,319
France	97	184	201	372	385	316
U.S.	253	813	279	46	75	10
Other	2	20	54	129	150	298
Total	1,614	2,406	1,817	2,240	2,599	1,943

Source: Global Trade Atlas

Saudi Arabia Lifts its Bans on Poultry Imports from 15 U.S. States

On August 22, 2016, Saudi Arabia announced the removal of its bans on imports of U.S. poultry and poultry products from 15 U.S. states. Saudi Arabia banned imports from 15 U.S. states due to the detection of highly pathogenic avian influenza (HPAI) in poultry farms from September 2014 to May 2015. The ban remained in place until August of this year even though the virus was eradicated in the second half of 2015.

The August 22 SFDA decree removes the bans it imposed on imports of poultry and poultry products from Montana, North Dakota, South Dakota, Wisconsin, Iowa, Oregon, California, Washington State, Idaho, Minnesota, Missouri, Kansas, Arkansas, Nebraska and Indiana. The temporary ban imposed on the individual state was effective until the states were officially declared free from HPAI. The SFDA's temporary ban excluded poultry and products that were thermally treated and certified by a competent authority (FSIS) to be free from HPAI. The FSIS Export Library for Saudi Arabia listed 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.

Import Prices

The CIF prices (for July/August 2016 arrivals) for imported frozen whole broilers chicken range between \$1,700 and \$1,750 depending on the quantity imported, brand name and weight selections. This is approximately 18 percent less than prices quoted 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. According to major poultry meat importers, the average price of Brazilian frozen broiler in the first six months of this year was about \$1,650 per MT. However, Brazilian export prices have been reportedly going up. Suppliers are giving higher Brazilian poultry feed prices, particularly higher corn prices, as the main reason for increased broiler meat prices.

Local Broiler Meat Retail Prices

Chicken meat has been the most competitive and affordable source of animal protein in the Kingdom. Imported frozen chicken is sold at some major retailers outlets for between \$1.87 and \$2.13 per kg, depending on products' brand name. This is compared to imported chilled lamb and beef (Brazilian and Indian) which are sold for \$9.33 and \$5.3 per kg, respectively. Locally produced frozen chicken is sold for up to \$3.73 per kg compared to domestically produced fresh lamb and veal which are sold for \$14.67 and \$15.47 per kg, respectively. The wholesale price of a carton of imported broiler meat which contains 10 pieces of 1 kg, reached a low of \$14.67 or \$1.47 per kg in the first half of this year. Imported frozen boneless chicken breast has been sold for as low as \$2.67 per kg, compared to more than \$5.33 in the early 2015. Locally produced fresh chicken breast is sold for more than \$5.33 per kg.

Claim of Unfair Competition for Imported Broiler Meat

Cooperative Association of Saudi Poultry Producers has accused Brazil and France of dumping chicken in Saudi market this year. This has reportedly caused huge losses to domestic broiler meat producers. The association claims that the low prices of imported chicken, which reached as low as five riyals or \$1.3 per kg earlier this year is much lower than the production cost of local producers. The production cost of locally produced broiler meat is estimated to between 6 and 7 SAR (\$1.6-1.87) per Kg average dressed weight. The association has asked the government to intervene and to protect the local poultry industry from the "unfairly low" prices by imposing anti-dumping duties on Brazilian and French imports of frozen poultry products.

Import Requirements

Tariff – The 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 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 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 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 checked and tested at Saudi ports of entry to ascertain that they meet all of the above requirements.

Exports

Post estimates that Saudi Arabia exported 40,000 MT of broiler meat, in 2015, 33 percent less than the official USDA estimate of 60,000 MT. One of the main reasons for the lower than projected export level is the \$533 per MT export tax that the Saudi government imposes in order to recover part of the production subsidies that the government provides to domestic broiler producers. The imposed export duty apparently made Saudi broiler meat prices more expensive in the export markets last year and reduced demand, compelling local producers export less than forecast. Over all, Saudi broiler meat exports showed about 33 percent increase in 2015 compared to 2014 and expected to stay flat at 40,000 MT this year. The UAE has been the largest importer of Saudi broiler meat in the past three years, followed by Qatar and Bahrain.

The Saudi government may restrict broiler meat exports when the domestic market experiences critical shortages, disease outbreaks, or if international supplies are tight. 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.

Saudi Arabian Broiler Meat Exports in MT			
Country	2013	2014	2015
UAE	8,953	7,250	11,420
Qatar	6,627	7,725	9,201
Bahrain	4,539	4,651	5,377
Kuwait	2,395	3,161	5,165
Iraq	594	851	2,382
Democratic Republic of Congo	1,112	291	1,140
Vietnam	260	1,051	636
Hong Kong	1,242	2,098	109
Other	3,617	3,415	5,046
Total	29,339	30,493	40,476

Source: Saudi General Authority for Statistics

Stocks

There are no government programs to hold strategic poultry stocks in Saudi Arabia. For PS&D table calculations we have set beginning and ending stocks at zero – essentially assuming that they are constant.

Policy

The Saudi government has targeted increasing broiler meat production to meet 60 percent of domestic consumption in the next five years to help meet the Kingdom’s food security strategic goals. Some poultry analysts question if the Kingdom will be able to achieve this ambitious goal. It will require (1) very large investments to expand poultry production capacity, (2) implementation of a unified biosecurity system to help reduce chicken broiler mortality rates, and (3) a large increase in the imports of subsidized poultry feed. It is a very costly endeavor to undertake during a period of reduced revenues from oil exports due to persistently low international crude oil prices. Reduced oil revenues have already compelled the government to reduce subsidies on animal feed imports by up to 62 percent, and increased the cost of electricity water, as well as gasoline prices to lessen the burden on the government budget.

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

Marketing

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

Note: The MEWA 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	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
Saudi Arabia	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	700	648	780	670	0	700
Total Imports	930	959	900	940	0	930
Total Supply	1630	1607	1680	1610	0	1630
Total Exports	60	40	70	40	0	40
Human Consumption	1570	1567	1610	1570	0	1590
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1570	1567	1610	1570	0	1590
Total Use	1630	1607	1680	1610	0	1630
Ending Stocks	0	0	0	0	0	0
Total Distribution	1630	1607	1680	1610	0	1630
(MIL HEAD) ,(1000 MT)						

Table Eggs

Table Egg Production

Saudi Arabia is a surplus producer of table egg and has been exporting eggs for more than two decades. Currently available data shows that the Kingdom produced about 4.4 billion table eggs in 2013, an increase of 9 percent compared to 2012. The 2013 production provided Saudi Arabia with a 113 percent self-sufficiency rate. In 2013, the Kingdom exported about 755 million pieces of table eggs, mostly to the GCC countries, which represented about 17 percent of the Kingdom's total table egg production. The Saudi table egg sector is highly developed and has been relatively more successful than the broiler sector.

Seasonal Table Egg Shortage

Despite the surplus in table egg production, Saudi Arabia can face acute seasonal supply shortages, particularly in the winter months when consumption reaches its peak both in the Kingdom and in neighboring Gulf countries. In the first three months of 2015, the supply shortage resulted in a more than 40 percent increase in the price of large table eggs, from \$3.73 to \$5.33 per 30-piece tray. Reports in local newspapers attributed the sharp spikes in egg prices to supply manipulations by middlemen. It is also reported that production declined due to increased poultry disease problems, which contribute to a significant reduction in the table egg supply, in the winter months. Due to the seasonal supply shortage of table eggs, in 2015 the MEWA lifted a long standing moratorium on issuing licenses for table egg production farms, and has been issuing permits for expansion of existing farms. Licensed farms are entitled to receive various direct and indirect government subsidies.

Stiff Competition from Imported Table Eggs

Beginning in December 2015, for the first time in decades, the domestic table egg production faced competition from very competitively priced imported table eggs. Table eggs from Turkey and Ukraine

started arriving in Saudi Arabia because of Russian import embargoes on food and agricultural products from the two countries. The entrance of Turkish and Ukrainian table eggs into the Saudi market has significantly reduced the retail price of a tray of 30 table eggs from more than \$4 to less than \$3, a price reduction of more than 25 percent. The Cooperative Association of Saudi Poultry Producers claims that Turkish and Ukrainian table eggs are being dumped in the Saudi market and are priced at less than production cost of most local producers. This is causing huge losses for local producers, and is forcing some of them to leave the table egg production business. As such, the cooperative is asking the SAG to impose antidumping duties on imports of Turkish and Ukrainian table eggs to protect the domestic table eggs production industry from “unfair competition”.