VALUE ADDED POULTRY PRODUCTS

INVESTMENT OPPORTUNITY SCORECARD

FOOD PROCESSING

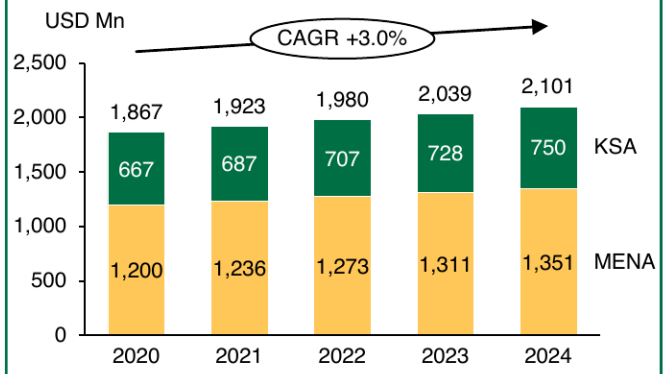
استثمر في السعودية
INVEST SAUDI

FOOD PROCESSING
VALUE ADDED POULTRY PRODUCTS

OPPORTUNITY'S DESCRIPTION: Opportunity to establish a processing facility in KSA for poultry value-added products to serve the local and regional markets

DEMAND

MARKET SIZE, USD MN



INVESTMENT OVERVIEW

INVESTMENT HIGHLIGHTS

- Investment size for value-added poultry farm ~ USD 108 Mn
- Expected IRR: 9%
- Expected payback period: 9.3 years
- Investment model: 100% private investment

VALUE PROPOSITION

- The Saudi government has a national strategy to increase self sufficiency to 85% by 2025
- Government provides subsidies for interest free loans and rebates on purchase of certain poultry equipment
- SFDA has banned electrical immobilization, which has led to significant reduction of imports from USA
- Catering contractors serving food to government institutions (hospitals, schools, universities) are mandated to use more than 70 percent local content

KEY DEMAND DRIVERS

- One of the Vision 2030 objectives is to achieve 85% self-sufficiency in poultry sector
- Poultry is one of the most consumed animal protein in KSA and GCC region
- Estimated chicken meat consumption in KSA in 2019 was ~1.33 million MT and projected to increase by 4% to ~1.38 million MT in 2020, due to continuous increase in population and high number of religious visitors
- Demand for value added poultry is mainly driven by expansion of the food catering industry, growth of fast-food outlets, and increased demand by hotels and restaurants

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Currently KSA value added poultry market served by select global and local players

COMPETITOR ANALYSIS

Local players

Global players

GLOBAL TRENDS

- Global processed poultry meat industry estimated to generate revenue of USD 289 Bn in 2020
- Manufacturers of processed poultry meat have been capitalizing on expansion opportunities recently. Whether it is an expansion of their processing capabilities or entry into new markets in order to increase their market share
- Rising awareness for protein rich diets, coupled with higher nutritional value of poultry meats, is significantly contributing towards increasing demand for value-added poultry products

FOOD PROCESSING
VALUE ADDED POULTRY PRODUCTS

SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low | Medium | **High**

- The poultry value chain right from breeding farms, hatchery, grow out farms are already localized in Saudi Arabia
- Easy access to labor, approval of foreign suppliers, and an expedited process for licenses and permits will allow for quicker localization of the industry
- KSA has high poultry production, strong logistics infrastructure and supportive regulatory ecosystem to enable export of value-added poultry globally

IMPORT DEPENDENCY

- In 2019, KSA imported poultry value-added products worth ~USD 426 Mn

Country	% of Saudi imports in 2019
UAE	55.4%
Thailand	39.4%
Others	5.2%

Source: UN COMTRADE

VALUE CHAIN ANALYSIS

	Raw material	Food Processing			Sales
Value chain	Receiving	1st order processing	2nd order processing	Packaging	Retail
Description	▪ Receiving chicken breast raw material	▪ Cutting, grinding & blending ▪ Mixing seasoning & skin for flavoring	▪ Forming the shape of product ▪ Frying then freezing	▪ Packing value added chicken e.g., nuggets, tenders, etc.	▪ Selling in market
End product			 		
Technology			▪ Automated production lines ▪ Robots	▪ Packaging technologies	

KEY STAKEHOLDERS

وزارة الاستثمار Ministry of Investment | الهيئة العامة للغذاء والدواء Saudi Food & Drug Authority | وزارة الصناعة والثروة المعدنية Ministry of Industry and Mineral Resources | SIDF | وزارة البيئة والمياه والزراعة Ministry of Environment Water & Agriculture Kingdom of Saudi Arabia المملكة العربية السعودية

ENABLING FACTORS

ENABLERS

- Government supporting low financing cost ~75% of capex
- Protection against imports of low-priced finished goods from neighboring countries
- Government subsidy for reducing production cost of poultry in KSA in form of monthly production based direct financial subsidies, interest free loans and rebates on purchase of poultry equipment

COST OF DOING BUSINESS IN KSA

Factor	Ranking Amongst Regional Peers
Electricity tariffs for industrial players	$48 /MWh
Productivity adjusted wages	$3.3 /hour
Logistics Performance Index (1 – 5)	3.2
Customs Clearance Index (1 – 5)	2.7
Ease of getting credit (0 – 100)	50

Bottom 25% | Top 75% | Top 50% | Top 25%

Definitions

#	SCORECARD SECTION	DEFINITIONS
1	Market size	Size of market in value/volume in KSA and/or Region (MENA/GCC) covering future projections based on available estimates from published /government sources
2	Business drivers	A select number of factors that will influence future demand for the related product/service
3	Investment highlights	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	Value proposition	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	Market readiness	An overview of KSA market structure, market maturity and level of participation by local and global players
6	Global trends	Latest business developments within the sector/product category
7	Scalability and localization	Ease of scaling the business across the value chain or into new adjacent products or geographies that would maximize the opportunity's investment returns and the ability and potential to locally manufacture the product and its components
8	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
9	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
10	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
11	Enablers	Factors that enable investment in the underlying opportunity
12	Cost of doing business in KSA	Key factors that position KSA as a competitive destination for investment in the region. Productivity adjusted wages do not include cost of $1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance

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