

PROCESSED RED MEAT

INVESTMENT OPPORTUNITY SCORECARD

FOOD PROCESSING

FEBRUARY 2021



FOOD PROCESSING PROCESSED RED MEAT

Public / متاح

High Potential

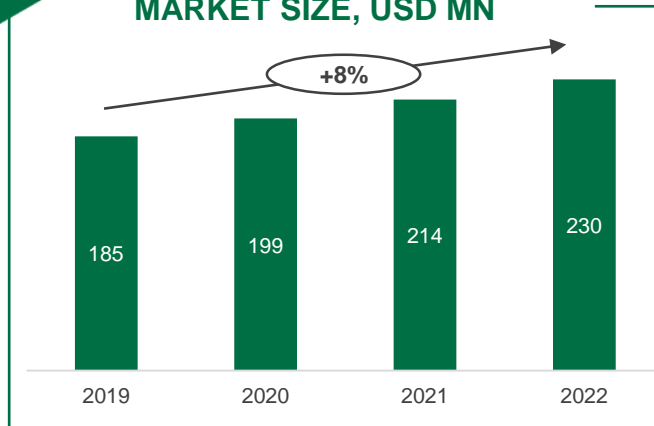
Moderate Potential

Low Potential

OPPORTUNITY'S DESCRIPTION: Opportunity to establish a processing facility for red meat to serve the local and regional markets

DEMAND

MARKET SIZE, USD MN



INVESTMENT HIGHLIGHTS

- Average investment size for red meat products' facility is approximately USD 16 Mn
- Expected IRR: 9%
- Expected payback period: 9.45 years

INVESTMENT OVERVIEW

VALUE PROPOSITION

- KSA has very high Halal standards set by SFDA, which makes its food products attractive to Muslim countries
- KSA has achieved 30% self-sufficiency in red meat sector in 2020 and has plans to further increase self sufficiency to enhance its food security as part of Vision 2030's National Industrial Development and Logistics Program (NIDLP)
- KSA has easy access to growing and under-supplied markets in the GCC and the MENA region
- Government provides interest free loans and rebates on purchase of certain cattle equipment
- Catering contractors serving food to government institutions (hospitals, schools, universities) are mandated to use more than 70 percent local content

KEY DEMAND DRIVERS

- KSA has one of the highest consumption of red meat in the MENA region
- KSA's Halal market is forecast to significantly grow due to substantial increase in the number of Hajj & Umrah visitors (From 7 mn 2019 to 30 mn in 2030) coupled with the increased adoption of Halal lifestyle
- Processed meat products will witness significant growth with increase in number of working women, busy working schedule, and fast lifestyle
- Rise in population and disposable incomes, along with red meat emerging as a key source of protein, are major factors driving the demand for processed red meat products

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Processed red meat market in KSA is mainly controlled by three companies (Americana, Sunbulah, and Sahar) which together account for 70% of the market

COMPETITOR ANALYSIS



GLOBAL TRENDS

- Global processed red meat market is expected to reach USD 668 Bn by 2023, growing at a CAGR of 9%
- Asia is the largest market for processed red meat and accounted for 34% of the overall market in 2018. This is attributed to rising population, increase in disposable income and changing food habits and preferences



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SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- 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 strong logistics infrastructure and supportive regulatory ecosystem to enable export of processed red meat globally
- Presence of multiple dairy companies will ensure supply of carcass/live cattle for the processed meat industry

IMPORT DEPENDENCY

- KSA imported 70% of its red meat demand in 2020

Country	% of Saudi imports 2019
Brazil	51.7%
Australia	9.9%
India	7.4%
Other	31%

Source: OEC

ENABLING FACTORS

ENABLERS

- Government supporting low financing cost ~75% of capex
- Government subsidy for reducing production cost of red meat in KSA in form of monthly production based direct financial subsidies, interest free loans and rebates on purchase of cattle equipment

VALUE CHAIN ANALYSIS

	Live Cattle	Carcass	Unprocessed Meat	Processed Meat
Description	Selling of livestock to meat processing companies	Slaughtering of livestock in own or municipality slaughterhouses and selling of carcass	Cutting of carcass to meat cuts (e.g. minced, chopped, steaks)	Processing meat through salting, curing, smoking to enhance flavor or improve preservation
Product Category	Live cattle (vealers, feeders, heifers, culled cows, angus)	Carcass (feeders, heifers, culled cows, angus)	Fresh meat cuts (Feeders and angus)	Hotdogs, sausage, burger and other products
Sales Channels	BTB: meat wholesalers	BTB: <ul style="list-style-type: none"> Meat processing companies Butchery shops HORECA 	<ul style="list-style-type: none"> BTC: in butchery shops or modern trade BTB: Modern trade chains or HORECA 	<ul style="list-style-type: none"> BTC: in grocery shops (modern and traditional trade)

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

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



وزارة البيئة والمياه والزراعة
Ministry of Environment Water & Agriculture
المملكة العربية السعودية
Kingdom of Saudi Arabia



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	Demand 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	Competitor analysis	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	Global trends	Latest business developments within the sector/product category
8	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
9	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	Enablers	Factors that enable investment in the underlying opportunity
13	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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