



**Travel Report**

**MFAT technical tour for NZ-ALKhalaf Food Security Partnership**

**Damman, Riyadh, Jeddah**

**12-15 April 2013**

**Saudi Arabia**

Out of scope (not relevant to this request)

**2013**

**Matthew Stone**

**Director Animal and Animal Products**

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## 2. NZ Alkhalaf Food Security Partnership technical tour, Saudi Arabia, 12-16 April

The back-story to this mission relates to political efforts lead by NZ Minister of Foreign Affairs to address the grievance<sup>6(a), 9(2)(j)</sup>

Alkhalaf Group is a Saudi-based family-owned live animal import, sale, transport, slaughter and retail meat business. They are the largest such company in the Kingdom of Saudi Arabia, and own extensive assets. The owner is Sheik Hmood Alkhalaf,<sup>9(2)(a)</sup> s General Manager of his Australasian business. Alkhalaf Group import around 8 million sheep into Saudi Arabia annually, from Africa (Ethiopia, Sudan, Somalia), Europe, Australia, Uruguay and (historically) New Zealand, as well as large numbers of cattle. These live imports are the commercial manifestation of Saudi Arabia's historical market preference for "hot meat" and reliance on imports to service this need.

Sheik Hmood Alkhalaf is a Bedouin farmer and trader, whose family has over many generations established his livestock import business. The Bedouin tradition of "following the water" brought Sheik Hmood to New Zealand in the 70s, 80s and 90s where he established an NZ farming enterprise (Awassi NZ Ltd) that, with NZ government support and through a massive importation and artificial breeding operation, established the Awassi breed in NZ, primarily to service the supply of cross-bred sheep for live exports to Saudi Arabia at a time when this was a significant export trade.

In 2003, following the rejection by Saudi Arabia of a shipment of Australian sheep on the Como Express and subsequent animal welfare disaster, NZ reacted with an initial voluntary moratorium on livestock exports for slaughter, which was subsequently given statutory effect through the 2007 Customs Export Prohibition Order. Despite the name, this order does provide the Director General of MPI discretion to approve shipments of livestock for slaughter in accordance with specific criteria. MFAT and MAF (at the time) lead the negotiation of a draft Memorandum of Understanding with Saudi Arabia to allow the trade to continue<sup>6(a), 9(2)(j)</sup> That draft MOU was never finalised, as political support in New Zealand for the trade evaporated in the face of growing protests against the trade in key European markets. No livestock for slaughter exports from NZ have occurred since 2003,<sup>6(a)</sup>



These decisions comprehensively undercut the business model of Awassi NZ Ltd, resulting in significant commercial losses. Aside from the sunk cost of investments that were de-valued following the trade being stopped, contracts to supply sheep established with NZ farmers had to be bought out. Compounding these losses, the AlKhalaf Group believe that promises made by NZ politicians over the years to support the resumption of trade were not followed through.

9(2)(a), 6(a)

This grievance became a significant negative

influence in the bilateral relationship

6(a), 9(2)(j)

9(2)(g)(i), 6(a)

In February 2013 Cabinet approved a Food Security Partnership between the NZ Government and the AlKhalaf Group. The conditions of the partnership include a transfer of capital and an investment in goods and services developing a value chain centred around export of breeding livestock from NZ and establishment of breeding operation in Saudi Arabia with marketing of progeny through both livestock sales in Saudi Arabia and for export to GCC countries, and into the retail meat sector in Saudi Arabia through modernised processing capability.

MFAT and NZTE are leading implementation of the partnership. This technical delegation was undertaken as a fact-finding mission to support the development of a first-stage business case.

The establishment of an arrangement and zoosanitary protocols for live sheep and cattle for breeding between MPI and the Ministry of Agriculture (MOA) of the Kingdom of Saudi Arabia is a critical element of this partnership. MPI decided to join the MFAT technical delegation to demonstrate to the AlKhalaf Group, MOA, and the Saudi Minister of Agriculture the commitment of the NZ government to the partnership. MPI (Stone and Zohrab) held meetings with MOA separate to the MFAT delegation, the focus of which was negotiation of these documents. Drafts had been supplied to MOA in the weeks leading up to the visit.

De-briefing of the technical delegation led by 9(2)(a) (MFAT) and 9(2)(a) (Deloitte) highlighted the following key elements to be address in the first stage business case. Deloitte is leading the drafting of this plan. NZTE will lead implementation:

a) First shipment

Finalise negotiation of regulatory requirements for zoosanitary and animal welfare assurances. Provide information in support of the eventual AWEC application. Define regulatory zoosanitary needs for contract negotiation between Awassi NZ and contracted suppliers. Define time of year for shipment, and confirm date (most likely Nov-Jan 2014-15). Develop supply contracts with farmers for procurement of sheep in NZ (pregnant ewes is a bottom line for AlKhalaf; simplest option might be mated hoggets; still thinking 50,000). Ensure Awassi ram supply for matings in Spring-Summer 2014. Cattle???

b) Breeding feedlot at AlKhalaf farm, Saudi Arabia

Further develop irrigation efficiency practice and equipment. Further develop agronomy and fodder cropping practices. Consider design of feedlot for breeding unit, including mothering pens. Consider installation of fans and misting equipment for summer heat. Complete building of feedlot pens and shelter already initiated. Develop shearing capability to manage heat for NZ animals. Develop Post-Arrival Quarantine unit and secure Saudi MOA approval.

c) Meat processing in Saudi Arabia



Identify quick wins to achieve process efficiency in the current slaughter for hot meat operations. Research low water use processing systems design. Develop concept designs for new modern abattoir, cutting and packing plant on AlKhalaf farm site. Secure Saudi authorities approval to build. Develop operating plans, including staff training.

### **Damman, Riyadh**

#### **Alkhalaf Farm, 150 km from Damman, 270 km from Riyadh**

- Large farm situated in desert just off main highway linking Riyadh and Damman.
- Excellent transport connections. Triple lane dual carriageway highway, excellent road surfaces, overpass infrastructure throughout meaning few stops required.
- Aquifer fed irrigation using diesel powered pumps and multiple central pivot irrigation units  
9(2)(b)(ii) Mix of very well set up facilities, and some older/rougher ones. Potential for optimising irrigation efficiency given water use issues.  
9(2)(b)(ii) New drilling occurring.
- Minimal tillage of soil.  
9(2)(b)(ii)
- Wheat, maize, lucerne and grass-mix crops. Large round and small rectangle baling operations. Outside storage.
- Feed milling operation on site, but livestock pelleted feed brought in from  
9(2)(b)(ii) as bulk and bagged.
- Rabbit farming unit.
- Sheep and cattle feedlots on site. Dirt floors, roofed for shade, feeding pellets and hay twice daily to ad lib ration. Currently stocked at low density, but this varies during the year. Mix of sheep species, variety of Arabic and African breeds.  
9(2)(b)(ii) All stock in excellent body condition. Quiet and calm mobs, with plenty of space under shade. Plenty of overgrown feet, but in the very dry feedlot conditions this does not seem to cause a problem. Flies similarly did not seem to be a problem given hot and dry conditions – stockmen indicated flystrike is not a problem in the fat-tail breeds under these conditions.
- 9(2)(b)(ii) feedlot under construction, with sheep and goats. Similar set up to above, although newer and areas with concrete floor. Rams permanently in with ewe mobs. Individual 2mx2m (approx) mothering pens housing ewes with lambs at foot. Ewes removed to these prior to lambing (eyeball estimate) or straight after (more typical). Race and dip built as an experimental approach to providing a cooling off option.

9(2)(b)(ii)

### **Gulf Cooperation Council, Riyadh**

Out of scope



Out of scope

- Discussed different approach by NZ. Focus on breeding animals, and establishment of a partnership with AlKhalaf Group, who will take responsibility for in-country systems.

- Out of scope

**Ministry of Agriculture, Riyadh**

6(a), 9(2)(ba), 9(2)(g)(i)

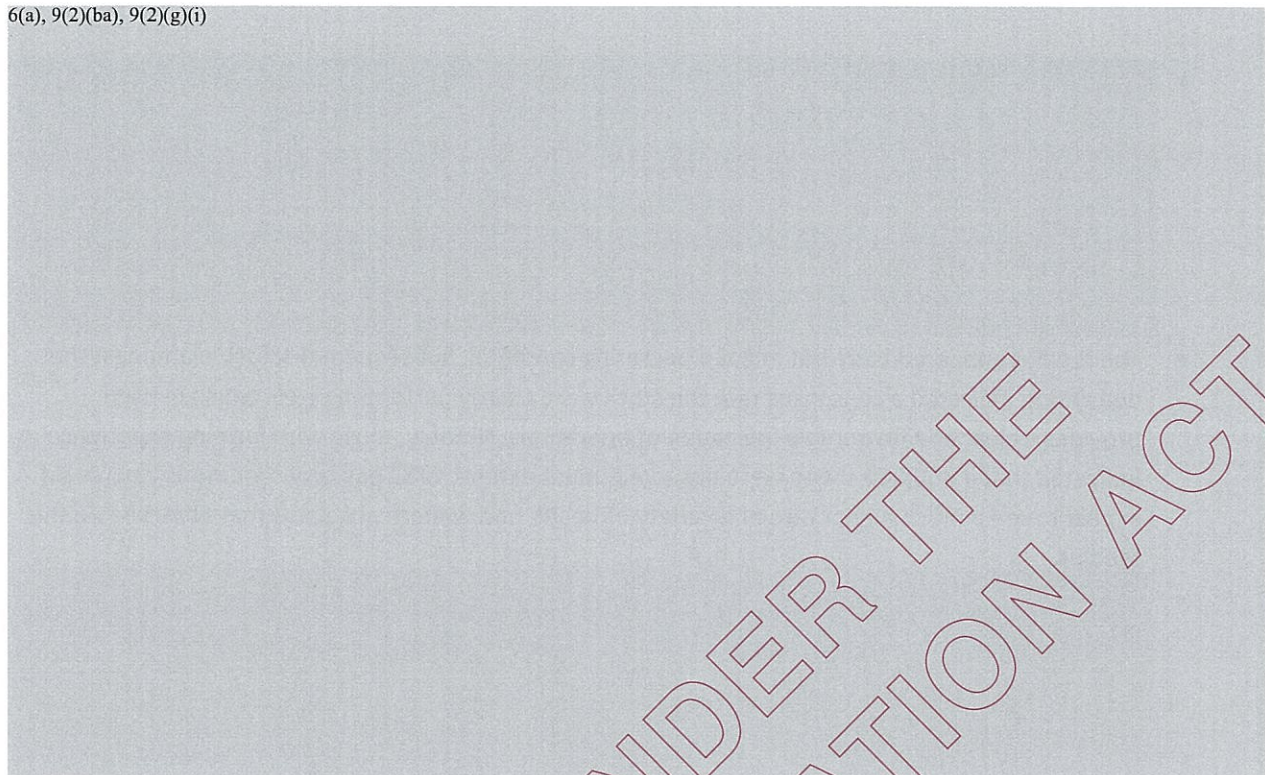
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- Approval by MOA of the port of Damman for receipt of livestock will be an essential element of the proposed exports from NZ, as this port has much easier transport access to the breeding unit on the AlKhalaf farm. Similarly, approval to move the NZ animals direct to the AlKhalaf farm is highly desirable, with any post-arrival quarantine undertaken there. Within the Saudi system it would appear that the on-board inspection and testing undertaken at the port prior to disembarkation is an essential step in determining PAQ requirements. AlKhalaf Group will continue to follow up on these matters with MOA.

6(a), 9(2)(ba), 9(2)(g)(i)

-





**New Zealand Embassy, Riyadh**

- The Embassy had arranged for a formal dinner for the MFAT technical delegation to meet key Saudi Agribusiness sector leaders with links to NZ. This provided a very interesting opportunity to learn more about businesses operating in the farming and food sectors of Saudi Arabia (e.g. [www.almarai.com](http://www.almarai.com))

**Jeddah**

The Jeddah operations of AlKhalaf Group are substantially focused on their livestock for slaughter import trade from Africa, Australia, and South America, and subsequent feed-lotting, marketing and distribution. While not directly relevant to NZ, because none of these facilities will actually be used during any future shipment of NZ breeding animals, the visits provided a very useful insight into the substantive business enterprise and holdings of the AlKhalaf Group, as well as facilities and operations supporting the import trade.

**Alkhalaf feedlot operations, near Medinah, 100km north of Jeddah**

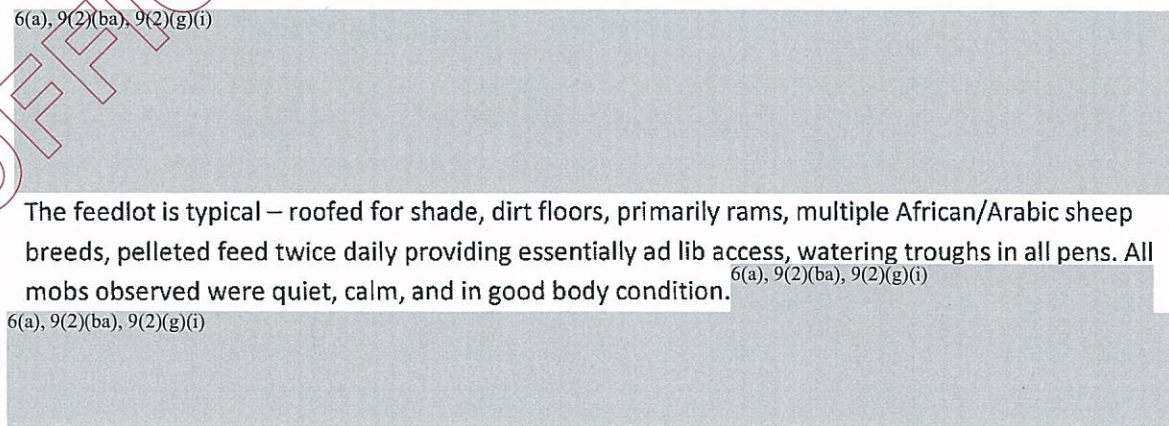
6(a), 9(2)(ba), 9(2)(g)(i)

- 

The feedlot is typical – roofed for shade, dirt floors, primarily rams, multiple African/Arabic sheep breeds, pelleted feed twice daily providing essentially ad lib access, watering troughs in all pens. All mobs observed were quiet, calm, and in good body condition.

6(a), 9(2)(ba), 9(2)(g)(i)

6(a), 9(2)(ba), 9(2)(g)(i)





- 6(a), 9(2)(ba), 9(2)(g)(i)

- The feedlot appeared basic but in good operating condition. Subsequent discussion amongst the delegation indicated a consensus that the stock were clearly performing well, which in itself provides a clear and favourable indication of operations. Notably, those with farming experience indicated that if 300,000 sheep were observed under extensive NZ pastoral conditions you would expect to see a much higher rate of a variety of health and welfare problems that observed on this feedlot.

- 6(a), 9(2)(ba), 9(2)(g)(i)

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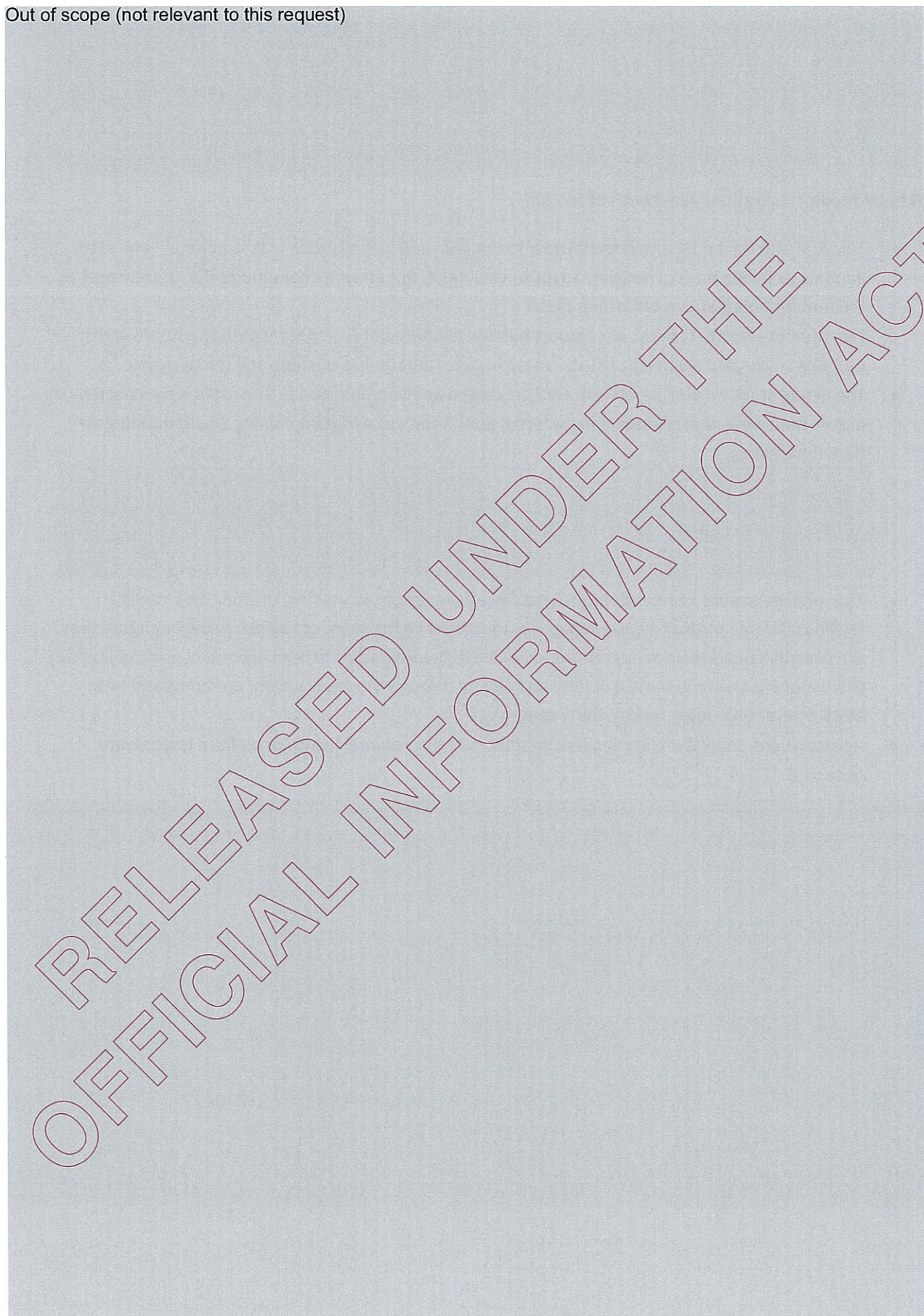
### Alkhalaf feedlot operation, 7km south of Jeddah

- This Alkhalaf Group feedlot is the closest to the port and is the typical first stop for all imported animals, allowing time to recover, adapt to local feed, put on some condition prior to transport to the feedlot noted above or further afield.
- This feedlot also operates as a transport hub for the Alkhalaf Group transport operation, with multiple trucks and a variety of stock crates on-site undergoing cleaning and maintenance.
- The actual stock holding pens were well presented and very functional. The roofs were raised much higher than we had previously encountered, and there was excellent cooling and ventilating air flow throughout.
- 6(a), 9(2)(g)(i), 9(2)(j), 9(2)(b)(ii)
- 6(a), 9(2)(g)(i), 9(2)(j), 9(2)(b)(ii)
- The managers were keen to demonstrate the efficiency of the yarding, drafting and loading facilities. A large mob of Awassi sheep was mustered by the team of Pakistani stockmen (no dogs are used in Saudi livestock operations – the sheep are very used to human contact and very placid). Once moving, the mob moved quietly and calmly through the race system, up ramps and onto stock trucks. Unloading was similarly orderly.
- As elsewhere, stock were in excellent condition, and no animal health or welfare issues were observed.

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#### Annex 4. NZ Alkhalaf Technical Tour Participants List

##### Delegation List

- 9(2)(a)
- [Redacted] Director, Proand
  - [Redacted] Director, Sourceworld
  - [Redacted] Partner, Deloitte
  - [Redacted] Certification & QA Manager,ASUREQuality
  - [Redacted] Director, Brownrigg Agriculture
  - [Redacted] p manager, PGW Consulting
  - [Redacted] North Island Primestock Co-ordinator, PGW
  - [Redacted] CEO Australasia Al Khalaf Group, and Director of Awassi NZ
  - [Redacted] Business Development Manager, Al Khalaf Group
  - [Redacted] Special Representative for Government Commercial Partnerships
  - [Redacted] New Zealand diplomat, Riyadh Embassy (MFAT)
  - [Redacted] MEA Regional Director, New Zealand Trade and Enterprise
  - [Redacted] Programme Leader, Agribusiness, New Zealand Trade and Enterprise
  - Matthew Stone, Director Animal and Animal Products, Standards Branch  
Ministry for Primary Industries
  - Tony Zohrab, Director, Market Access, Ministry for Primary Industries

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**Annex 5. NZ Alkhalaf Study Technical Tour Itinerary**

**Programme for New Zealand Food Security Delegation Visit to the Kingdom of Saudi Arabia**

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Thursday, 11 April

Notes: Al Khalaf Group to Coordinate

Visit Al Khalaf Group operations in and around Dammam.

0800-2200

Friday, 12 April

Location: Ouraira Region, Om Alarad 270km from Riyadh, 130km from Dammam.  
Notes: Matthew Stone, Director Animal and Animal Products, Standards, Ministry for Primary Industries to join delegation at farm

Visit to Sheikh Hmood Al Khalaf's Farm

0800-1400



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1400

Depart Al Khalaf Farm for Riyadh

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Visit Al Khalaf Group operations in and around Jeddah. Notes: Al Khalaf Group to Coordinate

Monday, 15 April

Visit Al Khalaf Group operations in and around Jeddah. Notes: Al Khalaf Group to Coordinate

Tuesday, 16 April

Visit Al Khalaf Group operations in and around Jeddah. Notes: Al Khalaf Group to Coordinate

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