



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 9/10/2001

GAIN Report #KU1002

Kuwait

Poultry and Products

Annual

2001

Approved by:

ATO: Ron Verdonk

U.S. Consulate, Dubai

Prepared by:

ATO: Hovaguim Kizirian

Report Highlights: Kuwait is expected to produce 33,000 MT of broilers in CY 2001, which are mostly marketed live. Frozen broiler meat imports in CY 2001 are estimated at 60,000 MT, including 48,000 MT of whole birds and 12,000 MT of boned and boneless parts. Brazil, and to a lesser degree France, Saudi Arabia and Denmark are the principal suppliers of whole chickens, while Brazil and the United States are the principal suppliers of boned chicken parts. Thailand and PRC are the leading suppliers of boneless parts.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Dubai [TC1], KU

| | |
|---|----------|
| TABLE OF CONTENTS | 1 |
| SECTION I. SITUATION AND OUTLOOK | 2 |
| 1. Production | 2 |
| 2. Consumption | 2 |
| 3. Trade | 2 |
| 4. Policy | 3 |
| 5. Marketing | 4 |
| SECTION II. TABLES | 6 |
| PSD Table | 6 |
| Import Trade Matrix | 7 |
| Export Trade Matrix | 8 |

SECTION I. SITUATION AND OUTLOOK

1. Production

Kuwait's broiler meat production reached an all time high of 31,000 metric tons (MT) in 2000, mainly due to the introduction of a third major producer. The two other leading producers also increased their production after the BSE scare prompted a shift from red meat consumption to poultry meat. Production is expected to increase further to 33,000 MT in 2001 mainly due to a major ecological disaster that hit Kuwait's seafood resources in early September this year. Production in 2002 is expected to increase slightly to 34,000 MT. An estimated 70 percent of the local broiler production is marketed live, eight percent chilled and the balance frozen. Local production does not directly compete with imported broilers as local frozen chicken retail prices are about 70 percent higher than imported chicken prices. This is due to the high cost of production as most of the production inputs are imported.

2. Consumption

Kuwaiti consumers, who constitute just about 40 percent of the total population of 2.3 million, prefer live and chilled chicken produced locally. The fact that the product is fresh and slaughtered in the country according to proper Islamic Halal requirements appeals to them. Expatriates, particularly those with low incomes, prefer cheaper, imported, whole chicken. Specifically, they prefer small sized (900-1,100 grams), white skinned, individually wrapped frozen chicken. Brazilian, European and Saudi Arabian chicken are more popular than U.S. chicken because they meet these preferences better.

Chicken meat is becoming more popular than red meat because of increased health awareness and because it is cheaper than other meats. The BSE scare in Europe and the recent ecological disaster that practically destroyed Kuwait's seafood production will shift consumption further to poultry meat at the expense of red meats and seafood. Per capita chicken meat consumption in Kuwait is estimated at about 40 kg in 2001. Per capita consumption is expected to increase further in 2001 as more people are expected to shift from red meat and seafood consumption to poultry meat.

Total chicken meat consumption in 2001 is estimated at 91,000 metric tons of which 16,000 metric tons or 18 percent are in parts, and the balance in whole chicken. Local production accounts for about a third of total consumption, while the balance is imported. Total chicken meat consumption is expected to increase 4-5 percent annually. According to the trade, the consumption of parts is increasing due to its practicality.

3. Trade

An estimated 80 percent of all imports are concentrated in the hands of 6-7 large companies, importing established Brazilian, French, Danish and Saudi Arabian brands. There are also 4-5 smaller importers. Frozen whole chickens account for about 80 percent of all chicken meat imports. Frozen chicken

parts, particularly from Brazil and the United States and frozen boneless chicken parts, particularly from PRC, Thailand and Brazil account for the balance. According to the trade, Kuwait will import 48,000 MT of frozen whole chickens and 12,000 MT of chicken parts, including 9,000 MT boned and 3,000 MT boneless, in 2001. Trade sources also estimate that chicken meat imports will increase about 5 percent annually in the coming few years. This is due to increasing consumer preference for chicken meat rather than other meats and to a growing population.

Brazil is expected to supply 70 percent of whole chicken imports this year. France and Saudi Arabia follow with estimated market shares of 10 percent each. Denmark comes fourth with an estimated market share of 5 percent, while the balance is shared by smaller suppliers including Turkey, Egypt and the United States. Brazil's market share is increasing at the expense of European suppliers since the reduction of EU poultry subsidies is making Brazilian chickens more competitive. Also, there is a public conception that Brazilian producers adhere more closely to Islamic Halal slaughter procedures than their European and U.S. counterparts.

Brazilian and European chicken brands are also popular because of their small sizes, competitive prices and aggressive marketing. In the absence of an EEP program, U.S. whole chicken prices will not be competitive with imports from Brazil, France and Denmark. Brazil and the United States practically share, albeit unequally, the boned chicken parts market, estimated at about 9,000 metric tons annually. Several U.S. chicken part brands are currently available in the market. However, competition from Brazil is increasing because of intensive marketing efforts, including print media and TV advertising. Increased Brazilian competition is also due to smaller parts packed in retail trays, which makes them more attractive to consumers. Trade sources estimate that Brazil's share of the boned chicken parts market now stands at 60 percent, compared to 25 percent (or about 2,000 MT) for the United States.

Thailand and the PRC are the principal suppliers of the boneless chicken parts market, estimated at 3,000 tons annually. Brazil and Denmark are smaller suppliers of boneless chicken parts. Boneless parts, normally packed in 1 or 2 kg packs, are popular both with consumers and with restaurants, particularly "Shawarma" sandwich shops, because of their practicality. However, their high prices are an impediment to wider household use.

Turkey imports, from the United States, France and Brazil are limited to 100 MT annually. Turkey consumption is seasonal and concentrated mostly around the Thanksgiving and Christmas holidays. Duck imports, mainly from the United States, France and Canada are estimated at 50 tons annually. About 10-15 MT of Cornish hens are also imported annually, exclusively from the United States. There are no exports or re-exports of chicken meat from Kuwait.

4. Policy

Trade Policy: There are no import duties on food products, including poultry, in Kuwait. There are also no import quotas or other trade restrictions. The following documents are required for imported poultry: (1) invoice (2) certificate of origin (3) bill of lading (4) Halal slaughter certificate (5) health certificate. The invoice, certificate of origin and Halal slaughter certificate must be certified by an Arab

Chamber of Commerce in the country of origin and by the Kuwaiti Embassy or Consulate in the country of origin. If these are not available, certification may be done at any other Arab Embassy or Consulate, except those of Iraq and Sudan.

Salmonella tolerance is zero. However, an unofficial 20 percent tolerance is actually enforced, based on a sample size of five birds. Each bird or tray of parts and export carton must carry a label with the following information in English and Arabic or only Arabic: 1) brand and product names, 2) country of origin, 3) net weight in metric units, 4) producer's or packer's name 5) production and expiry dates (day/month/year or month/year in that order; only digits are accepted, no letters or codes), and 6) a statement specifying that the product is Halal slaughtered.

Most importers are asking their suppliers to use a 12 month, and to a lesser degree an 18 month shelf life for poultry products. Frozen poultry must arrive to Kuwait within 4 months from slaughtering date. GMO's are not an issue in Kuwait, although authorities are studying the subject in consultation with other GCC countries.

All processed food products imported in Kuwait, including poultry must be tested at the Ministry of Health laboratories before clearance. The clearance procedure takes from one week to 10 days. Importers may store the products in their own warehouses pending clearance.

Production Policy: The Government of Kuwait (GOK) provides free vaccines and free veterinary service to the local poultry sector. GOK also provides subsidies of about 10 percent on the imported feed corn.

5. Marketing

According to the trade, an estimated 60 percent of imported poultry meat is marketed through consumer cooperative societies, who dominate the food retail market in Kuwait. An estimated 25-30 percent of the imported poultry is marketed through the wholesale market, and the balance of 10-15 percent is sold to institutional users, such as restaurants, hotels, hospitals and others.

According to the same sources, the distributor's margin is 10 percent, the wholesaler's margin is 7-8 percent and the retailer's margin is 10-15 percent. In other words the markup on import price to the consumer is about 25-30 percent.

Promotional activities are important to market development in Kuwait. The Brazilians and the French are very active in brand promotions. The Danes emphasize generic promotions. TV and press advertising is aggressively used by these countries. Supermarket promotions are popular and are conducted regularly by competitors. These promotions, however, appear to be less effective than TV and media advertising.

ATO Dubai conducts generic supermarket promotions for all U.S. food products annually in several stores of the leading private supermarket chain in Kuwait and in selected consumer cooperative

societies. U.S. poultry products are included in these promotions.

According to the trade, meeting the following requirements could increase U.S. supplier's opportunities in the Kuwaiti poultry market:

- Supply small size birds weighing between 900-1,100 grams;
- Improve the shape of produced chickens;
- Use transparent shrink wrap bags;
- Avoid the use of strip calendar label marking for production and expiry dates;
- Produce small size parts;
- Advertise and promote more;
- Provide Arabic labels or stickers.

SECTION II: TABLES

| PSD Table | | | | | | |
|-----------------------------|-----------------------------|---------|-----|---------|-----|---------|
| Country: | Kuwait | | | | | |
| Commodity: | Plty, Meat, Chicken -16 wks | | | | | |
| | | 2000 | | 2001 | | 2002 |
| | Old | New | Old | New | Old | New |
| Calendar Year Begin | | 01/2000 | | 01/2001 | | 01/2002 |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Slaughter (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 6 | 8 | 6 | 8 | 6 | 8 |
| Production | 29 | 31 | 31 | 33 | 0 | 34 |
| Whole, Imports | 47 | 47 | 48 | 48 | 0 | 49 |
| Parts, Imports | 8 | 10 | 10 | 12 | 0 | 13 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 55 | 57 | 58 | 60 | 0 | 62 |
| TOTAL SUPPLY | 90 | 96 | 95 | 101 | 6 | 104 |
| Whole, Exports | 1 | 0 | 1 | 0 | 0 | 0 |
| Parts, Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 1 | 0 | 1 | 0 | 0 | 0 |
| Human Consumption | 83 | 88 | 88 | 93 | 0 | 96 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 83 | 88 | 88 | 93 | 0 | 96 |
| TOTAL Use | 84 | 88 | 89 | 93 | 0 | 96 |
| Ending Stocks | 6 | 8 | 6 | 8 | 6 | 8 |
| TOTAL DISTRIBUTION | 90 | 96 | 95 | 101 | 6 | 104 |
| Calendar Yr. Imp. from U.S. | 2 | 2 | 2 | 2 | 0 | 2 |

Source: ATO and trade estimates.

| Import Trade Matrix | | | |
|---------------------|---------|--------|-------|
| Country: | | Units: | MT |
| Commodity: | | | |
| Time period: | Jan-Dec | | |
| Imports for | 2000 | | 2001 |
| U.S. | 2000 | U.S. | 2000 |
| Others | | Others | |
| Brazil | 38500 | | 40000 |
| Denmark | 1500 | | 1500 |
| France | 4000 | | 4000 |
| PRC | 1500 | | 2000 |
| Saudi Arabia | 5000 | | 5000 |
| Thailand | 1000 | | 1000 |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 51500 | | 53500 |
| Others not listed | 3500 | | 4500 |
| Grand Total | 57000 | | 60000 |

Source: ATO and trade estimates.

| Export Trade Matrix | | | |
|---------------------|---------|--------|------|
| Country: | | Units: | MT |
| Commodity: | | | |
| Time period: | Jan-Dec | | |
| Exports for | 2000 | | 2001 |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| Bahrain | 100 | | 100 |
| France | 10 | | 20 |
| Qatar | 80 | | 50 |
| Saudi Arabia | 60 | | 50 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 250 | | 220 |
| Others not listed | 150 | | 80 |
| Grand Total | 400 | | 300 |

Source: ATO and trade estimates.