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Poultry and Products

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Report Highlights: Poultry production continues to expand, projected at 31,000 MT this year and at 34,000 MT by 2003. Demand for poultry and products continues to expand also. Imports service nearly 75 percent of the domestic market with Brazil (40 percent) and the U.S. (19 percent) capturing the lion's share of the trade. Brazil supplies primarily whole-bird while the U.S. poultry parts. Total U.A.E. 2001 poultry imports reached 133,000 MT valued at about \$133 million.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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TABLE OF CONTENTS

Production	1
Consumption	1
Trade	2
Economy	3
Policy	3
Marketing	4
Distribution	4
Tables	5

Production

Setting-up an integrated poultry production facility in the United Arab Emirates (U.A.E.) is not an easy task, and requires substantial investment. With some exceptions, investment in this sector is mainly local. Foreign investment is led by Arabs, particularly of those from the Gulf states. U.S. investment in this sector is non-existing. The U.S. role is limited to supplying equipment and technological know how. Most existing farms, particularly major farms, utilize the latest available technology. Major farms periodically upgrade their facilities to improve production.

The U.A.E.'s poultry production, which operates on a 16 week production cycle, continues to expand slowly. This year production should reach 31,000 MT, where 65 percent of the total would be generated by 6 large farms, with 4 other smaller farms producing another 20 percent. The remaining 15 percent is shared by a number of small farms.

Although there is a room for greater locally production, expansion attempts in this sector are still lacking as it requires major investment. The gap between local production and total demand for poultry in the U.A.E. is still wide. Several farms have either expanded or renovated their operations while others are expected to-do the same in the near future. Two new farms are expected to initiate production in 2003 which will add about 5,000 MT of poultry meat to the existing total when they reach maximum production capacity.

The major poultry operations are fully integrated. They produce then slaughter at-farm facilities. The farms also conduct their own marketing, sales and distribution with some also involved in direct retail. Domestic poultry is generally sold fresh/chilled. During the summer period, when sales typically decline, major farms typically will freeze part of their production, (approximately 5 percent). Some farms are producing negligible amounts of chilled boneless or bone-in parts in effort to capture larger market share. One major farm is even producing chicken franks and burgers for the local market. Production of other poultry, such as turkey and quail, does not exist.

Locally produced and imported chicken are sold under one roof in major retail outlets such as hyper markets, superstores and supermarkets. Locally produced poultry, due to its high production cost and sales price, and to the fact that it is sold fresh/chilled, is not sold in small retail outlets or convenience stores. Ironically, imported chicken is sold in nearly every retail outlet, regardless of size and type.

Consumption

In the last few years poultry demand has surged, to close to 126,000 MT at present, due to:

- population increase,
- food safety concerns associated with consumption of red meats related to BSE, Foot and Mouth disease and dioxin,
- lower cost of poultry as compared to red meats,
- expansion of the HRI sector, and
- continuous increase in tourist numbers

Marketing of imported frozen chicken, whole and parts as compared to the local product, is made easier because of its lower cost. Brazilian and Danish poultry are very popular among households for reasons of quality and low water content. Because of its high water content, French chicken is suited more institutional use. It is very popular among caterers. U.S. chicken leg quarters are becoming very popular in the HRI sector because of low price and ease of handling. U.S. whole chicken is absent from the retail sector for two reasons:

- 1 The packaging and presentation is considered unattractive. It is mostly "misshaped" owing to the way it is processed and frozen in the U.S.;
- 2 C&F prices are usually prohibitive, as compared to cost for import of Brazilian, Danish and French poultry. U.S. poultry was able to compete in this area when the Export Enhancement Program was active.

Boneless chicken from China and Brazil are mainly consumed in Arabic and Lebanese-style restaurants and cafeterias. Boneless breasts find their way to the retail market. The consumption of whole turkey is seasonal, mainly during the Thanksgiving and Christmas times, while duck is used by the Chinese restaurants and in some Arabic restaurants.

Local poultry is consumed mainly in households as fresh/chilled. Some consumers prefer to pay premium price for local chicken to guarantee the freshness and the fact that it is hand slaughtered, in accordance with Moslem rites. Some HRI organizations, particularly the university, some hospitals, the military and some hotels, do use local poultry.

Because of the price difference, competition between local and imported frozen chicken is non-existing. Imported whole chicken sells for about half the cost of locally produced chicken which sells for about \$3/kg. Cost of local production is high since all feed ingredients, equipment, hatching eggs and skilled labor are all imported. All feed ingredients are imported and the feed conversion rate is about 1.8 kg, depending of the breed.

Retail price for some imported whole bird/parts follow:

Brazilian: \$0.88-0.90/kg; Danish: \$0.95-0.97; French: \$1.01/kg
Brazilian drum sticks:\$1.50-1.77/2 lb tray; U.S.: \$1.20/2 lb tray;

Trade

The U.A.E. is the largest importer of poultry in the GCC-5 (Bahrain, Kuwait, Oman, Qatar and the U.A.E.). Total U.A.E. poultry imports grew to an unprecedented volume of 133,000 MT, valued at \$133 million, in 2001. This is an 11 percent increase in volume over a year earlier. Imports in 2002 and 2003 are expected to grow slightly higher due to the lingering effects of food safety concerns associated with red meat consumption.

U.S. poultry is known for its high quality. With parts becoming a more popular cut, part imports grew from 25 percent of the market a few years ago to about 35 percent at present, as reported by trade contacts. Price

competitiveness of part will be the determining factor as to how long imports will continue to rise. The balance of imports, 65 percent of trade, is composed primarily of whole chicken as imports of other poultry, such as turkey, ducks and quails, are seasonal and negligible.

Brazil is the principal supplier of poultry to the U.A.E. with nearly a 40 percent market share. In 2001, U.S. poultry exports grew 39 percent, making the U.S. the second largest supplier with 19 percent market share. In 2002 and 2003, the high U.S. price of poultry will limit our market to leg quarters and other parts, particularly drum sticks, unless an EEP program enters the equation. U.S. whole chicken disappeared from the U.A.E. market since the last EEP program two years ago.

Russian denouncement of U.S. poultry on quality grounds has not affected domestic demand for the U.S. product. Actually, the U.A.E. is a frequent re-exporter of U.S. poultry products to Russia and other former Soviet Union states. The U.A.E. also re-exports whole chicken and other chicken products to many of the neighboring countries, particularly Oman.

Following are C&F U.A.E. ports:

'	Brazilian:	Whole chicken:	\$860/MT
		Drum sticks:	\$1,060/MT
		Boneless Breast:	\$1,600/MT
		Boneless chicken:	\$1,460/MT
'	Danish	Whole chicken:	\$875-900/MT
'	China	Whole boneless:	\$1,060/MT
'	French	Whole chicken:	\$875-900/MT
'	Saudi Arabia	Whole Chicken:	\$1,100-1,150/MT
'	U.S.	Leg Quarter:	\$675-680/MT
		Drum sticks:	\$1,150/MT

ECONOMY:

The U.A.E. is a major oil producer and enjoys one of the world's highest per capita incomes. Oil prices are still favorable and the U.A.E. economy continues to enjoy the high revenues. The U.A.E.'s currency, the Dirham, is very strong and the exchange rate vis-a-vis the U.S. Dollar remains fixed. The U.A.E. government does not restrict the movement of currencies and follows an open market policy completely supportive of free trade. The government does not get involved in trading, as long as import regulations are not violated.

Policy

Local health authorities apply strict regulations to ensure the safeness of all imported and locally produced chicken. Local health officials travel periodically to exporting countries to inspect production and processing conditions in the exporting countries. If an exporting plant is determined to be unable to supply wholesome products its products will be immediately banned. Imported chicken of established brands are randomly checked at ports of entry for Salmonella and other pathogen contamination. If a given shipment's samples

exceed the permissible levels of Salmonella bacterium per carcass, it will be rejected. Locally produced chicken is also monitored to determine fitness for human consumption. Poultry products are also required to carry a label showing:

- a) dates of production and date of expiry;
- b) net weight;
- c) country of origin; and
- d) the producer's name and address.

(Note: on the product shelf life, it should be shipped within 3 months of production and must have at least half its shelf life remaining at time of arrival.)

Chicken has also to be slaughtered according to Islamic requirements and all shipments of imported poultry have to be accompanied by a Halal slaughter certificate.

The biotech issue is now starting to attract attention in this region. Discussions underway center on whether to impose labeling standards and, if these should apply to products designated for food and/or feed use.

Marketing

Printed media advertising is the most popular followed by TV. Year round advertising campaigns are usually maintained. In-store promotions are common, particularly for new-to-market products.

Suppliers and local producers are constantly looking for new markets and opportunities to increase their sales. Suppliers provide certain incentives to their major importers. These include free storage, free transportation, delayed payment, unpublished discounted prices, allocating annual budget for advertising and the establishment of regional offices to support importer marketing efforts. On the other hand, importers are upgrading their cold storage facilities and investing in more distribution vehicles. Major retailers are constantly adding more state-of-the-art super and hyper markets and providing services to ensure that their products are ideally stacked and positioned.

Without the Export Enhancement Program (EEP), U.S. whole chicken will find it hard to compete with other chicken imported from different sources, particularly the EU. The heavy European subsidy on the one hand coupled with low cost of production in Brazil make it difficult for U.S. suppliers to compete in the whole chicken market. The marketability of U.S. whole birds would also be enhanced if U.S. suppliers shipped more small-sized birds (800 grams to 1.2 kg) and utilized the IQF method to produce well shaped chicken that looks attractive and retails easier. Sporadic difficulties in correctly labeling products, especially with P/E dating, also affect the marketability of U.S. products, particularly in the HRI sector.

DISTRIBUTION:

Imported and locally produced poultry are channeled to end users very similarly. They are attractively displayed in chillers and freezers. Both importers and producers of poultry are highly equipped with excellent air-conditioned warehouses and refrigerated trucks for the distribution of their products. They are also staffed with

well trained sales representatives.

SECTION II: TABLES

PSD Table						
Country	United Arab Emirates					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	8	0	8	0	4	0
Production	28	28	26	31	0	34
Whole, Imports	82	83	80	85	0	85
Parts, Imports	43	50	50	50	0	55
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	125	133	130	135	0	140
TOTAL SUPPLY	161	161	164	166	4	174
Whole, Exports	20	20	20	20	0	20
Parts, Exports	20	20	20	20	0	25
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	40	40	40	40	0	45
Human Consumption	113	121	120	126	0	129
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	113	121	120	126	0	129
TOTAL Use	153	161	160	166	0	174
Ending Stocks	8	0	4	0	0	0
TOTAL DISTRIBUTION	161	161	164	166	0	174
Calendar Yr. Imp. from U.S.	20	25	0	20	0	22

Import Trade Matrix		
Country	United Arab Emirates	
Commodity	Poultry, Meat, Total	
Time period	2001	Units: Metric Tons
Imports for:	Chicken	
U.S.	25320	U.S.
Others		Others
Brazil	51061	
China	5828	
Denmark	19773	
France	21995	
Saudi Arabia	8820	
Other	1037	
Total for Others	108514	
Others not Listed		
Grand Total	133834	

Export Trade Matrix			
Country	United Arab Emirates		
Commodity	Poultry, Meat, Total		
Time period	Jan/Dec	Units:	MT
Exports for:	2001		2002
U.S.		U.S.	
Others		Others	
Armenia	2000		
Azerbaijan	2500		
Georgia	1500		
Iran	3500		
Oman	13000		
Turkminstan	2500		
Total for Others	25000		0
Others not Listed	15000		
Grand Total	40000		0