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Kuwait

Poultry and Products

Annual

2003

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Report Highlights:
In 2004, Kuwait boiler production is projected at 31,000 MT, with birds mostly marketed live. Frozen chicken imports are forecast at 73,000 MT. Brazil is expected to dominate the whole bird, bone-in and boneless parts markets. The U.S. should be competitive in the bone-in parts market. Demand in Iraq should continue to energize the re-export market, pushing exports of whole birds and leg quarters to the 3,000-4,000 MT level.

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

Production

CY 2004 broiler meat production is forecast at 31,000 metric tons (MT) compared to an estimated 2003 production of 30,000 MT. The decline from 2002 production of 32,000 MT was due to closure of several small farms resulting from keener import competition. Two major producers account for about 85 percent of local production, while a third, smaller producer accounts for another 10 percent of production. Five-six small farms account for the 5 percent balance. Local broiler production is geared to the following markets: live - 65 percent, chilled - 10 percent, and frozen - 25 percent. Demand for live chickens, mainly from Kuwaiti nationals, is declining mainly for practicality reasons and health concerns.

Local production does not directly compete with imported broilers as local whole frozen chicken retail prices are about 30-40 percent higher than imported frozen chicken prices. Local chilled chicken prices are more than double of imported frozen chicken prices. This is due to the high cost of production, as most production inputs must be imported. One of the two major poultry farms produce 300,00-400,000 quails annually, marketed mostly as chilled. Finally, two local farms produce 150,000 ducks annually, marketed mostly as live, and to a lesser extent, as chilled.

Consumption

Kuwaiti consumers, who constitute about 40 percent of the 2.3 million total population, prefer live and chilled chicken produced locally. The primary appeal is that the product is fresher and is slaughtered in the country according to Islamic Halal requirements. Expatriates, particularly those in the lower income bracket (i.e. laborers), prefer the cheaper imported frozen whole chicken. Specifically, they prefer the smaller-sized (900-1,100 grams), white-skinned, individually wrapped frozen chicken. Brazilian, Saudi Arabian and European chickens are more popular than U.S. chickens because they meet these market requirements better.

Chicken meat is gaining popularity over red meats because of increased consumer health awareness and because of price. The BSE scare in Europe and the ecological problems Kuwait's seafood industry faces helped shift consumption toward poultry meat at the expense of red meats and seafood. In addition, the presence of coalition troops in Kuwait and nearby Iraq since early 2003 are also driving demand for poultry meat.

In 2004, total chicken meat consumption is forecast at 101,000 metric tons, of which 11,000 metric tons or 11 percent should be in parts. In 2004, per capita chicken meat consumption in Kuwait is forecast at about 44 kg. Total chicken meat consumption is expected to increase 3-4 percent annually after factoring out military consumption. Consumption of chicken parts is expected to increase due to their practicality in handling and preparation.

Trade

In 2004, Kuwait is projected to import 73,000 MT of frozen broiler meat, including 62,000 MT frozen whole broilers and 11,000 MT chicken parts. In 2003, imports are projected to reach 71,000 MT. In 2004, Brazil is again expected to be the principal supplier of frozen whole chickens supplying an estimated 48,000 MT, followed by Saudi Arabia with 8,000 MT. Denmark and France are expected to supply an estimated 3,000 MT and 2,000 MT respectively, while other suppliers, including Egypt, will supply the balance of 1,000 MT. Brazil's share of the whole chicken market was further enhanced when "Doux," the principal French supplier in the region, shifted supply origin for the Kuwaiti market from its production facilities in France to those in Brazil. This was due to the reduction in EU subsidies and the perception in Kuwait that Brazilian producers adhere more to correct Islamic Halal slaughter practices. In 2004, Brazil should also be the dominant supplier of frozen chicken parts, supplying 4,000-5,000 MT of boned parts and 1,000 MT of boneless parts.

In 2004, the United States is expected to supply about 2,000-3,000 MT of boned chicken parts, including leg quarters, while Thailand is expected to provide 1,000 MT of boneless chicken parts respectively. A ban on poultry products from PRC, imposed in August 2003 due to the Avian Flu incidence, remains in effect. U.S. leg quarters will be imported, but primarily for re-export to Iraq.

In Kuwait an estimated 80 percent of all imports are concentrated in the hands of 4-5 large companies, importing established Brazilian, Saudi Arabian, Danish and French brands. Another 10-15 smaller companies account for the balance of imports. Over the next several years chicken meat imports are expected to increase at a 3-4 percent annual clip due to increasing consumer preference for white meat and, to a lesser degree, population growth.

In recent years Brazil has increased market share dramatically at the expense of European suppliers as the reduction of EU poultry subsidies made the Brazilian products more competitive. Also, the public perception that Brazilian producers adhere more closely to Islamic Halal slaughter requirements than their European and U.S. counterparts is paying dividends. This latter factor has benefitted, albeit to a smaller degree, Saudi Arabian chicken sales in Kuwait despite the fact that Saudi chickens are 30-40 percent higher in price that chickens imported from Brazil or Europe.

Brazilian and European chicken brands are popular because of their smaller sizes, competitive prices and aggressive marketing. In the absence of an EEP program, U.S. whole chicken prices are not competitive with imports from Brazil, France and Denmark. Brazil and the U.S. share, albeit unequally, the bone-in chicken parts market, estimated at about 8,000 metric tons annually.

Several U.S. chicken part brands are currently available in the market. Since early 2003, demand for U.S. chicken parts has increased substantially due to the large number of coalition troops stationed in Kuwait and nearby Iraq. The troop level has stabilized, thus demand from this segment is not expected to expand. In recent years U.S. suppliers have felt the competition from Brazil, which has employed intensive market programs, inclusive of print media and TV advertising. Brazil is gaining market share by addressing consumer requirements for smaller parts packed in attractive retail trays. Brazil's share of the chicken parts market now stands at 65 percent, compared to 35 percent (or about 2,500-3,000 MT) for the United States.

Brazil and Thailand should remain the principal suppliers of boneless chicken parts, estimated at 2,000 tons annually. 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 price is an impediment to wider household use. In addition, the recent ban on poultry imports from the PRC due to the incidence of Avian Flu there will reduce import levels of this product in 2004.

Turkey imports, mainly from the U.S. and, to a lesser degree from France and Brazil, are steady at 150 MT annually. Turkey consumption is seasonal and concentrated mostly during the November-December holiday season. Duck imports, mainly from the U.S., France and Canada, are estimated at 80 tons annually. Cornish hens, exclusively imported from the U.S., are estimated at 10-15 MT while quail, imported mainly from Italy, Cyprus and Lebanon, stands at 40-50 MT annually.

Previously, Kuwaiti poultry meat re-exports were insignificant, always less than 1,000 MT per annum. However, since the Iraqi liberation by coalition forces, several Kuwaiti firms are now supplying the Iraqi market. An estimated 2,000-3,000 MT of frozen poultry meat, particularly whole chickens and leg quarters are expected to be re-exported to Iraq during 2003. This trend is expected to continue and probably increase in 2004, if peaceful conditions prevail in Iraq.

Currently, Brazilian and French frozen whole chickens are being offered at $1,030 and $1,050 per MT respectively, CIF Kuwait. Danish chickens are offered at $1,140 per MT, while Saudi Arabian whole chickens are offered at $1,740 per MT. Brazilian boned chicken parts are offered at $1,100 per MT, CIF Kuwait, while U.S. parts are offered at $1,200 per MT, CIF.

Policy

Presently Kuwait does not impose an import duty on any food product. In April 2003, the Kuwait National Assembly approved a measure calling for the ratification of the Arab Gulf Cooperation Council's (GCC) unified customs duty. This unified custom duty is set at 5 percent on processed food products. Kuwait is the only GCC country that is not applying any import duty on food products. There are also no import quotas or other known 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 received via any other Arab Embassy or Consulate, except those of Iraq and Sudan.

Kuwait Food Code Standards set a zero tolerance for Salmonella bacteria. 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 Arabic only:

- Brand and product names,
- Country of origin,
- Net weight in metric units,
- Producer or packer's name,
- Production and expiry dates (day/month/year or month/year in that order; English
- language digits are accepted provided no letters or codes are used), and
- A statement verifying that the product is Halal slaughtered.

Kuwait does not apply a shelf life requirement for frozen chicken products. The manufacturer declares the shelf life. Most importers however ask their suppliers to include a 12-month (and to a lesser extent an 18 month) shelf-life period for poultry products. Frozen poultry must arrive to Kuwait within 4 months from slaughter. Food products containing a biogenetically modified component 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 and cleared by the Ministry of Health before release on the market. The clearance procedure takes from one week to 10 days. Importers may store products in their own warehouse pending clearance.

Marketing

An estimated 70 percent of imported poultry meat is marketed through consumer cooperative societies, who dominate the food retail market in Kuwait. An estimated 15 percent of the imported poultry is marketed through the wholesale market, and the balance of 15 percent is sold to institutional users, such as restaurants, hotels, hospitals and others. Approximate margins earned in the distribution channel include, at distribution: 15-20 percent, at wholesale: 7-10 percent, and at retail: 10 percent.

Price is a dominant factor in consumer preference for chicken brands, particularly among the lower income expatriate population that constitutes about 60 percent of Kuwait's 2.3 million population. A survey of a major retail stores in August this year showed that the two most popular Brazilian frozen whole chicken brands were offered at the retail price of $2.06 per kilo. In comparison, the only Danish whole chicken brand offered was retailing at $1.80 per kilo.

The perception that chickens are slaughtered truly by the Islamic Halal procedure is very important for most of the Kuwaiti nationals, who constitute 40 percent of the country's population, as well as for some Arab expatriates. To illustrate this factor, the above survey also indicated the presence of two Kuwaiti brands of frozen whole chickens retailing at $2.8 per kilo and two Saudi Arabian brands retailing at $2.56 per kilo, which are significantly higher than the average retail prices of Brazilian or European chickens.

In the frozen bone-in chicken parts market (i.e., drumsticks, thighs, whole legs), Brazil's leading brand "Sadia" retails at $2.61 per 2-lb tray, while another less known Brazilian brand retails at $2.46 per 2-lb tray. In comparison, a popular American parts brand retails at $1.88 per tray of 2-lb. Despite their higher prices, Brazilian frozen chicken parts are still outselling cheaper U.S. parts. This is due, in part, to intensive promotional campaigns and aggressive marketing tactics employed by Brazilian suppliers. Also, consumers in Kuwait prefer small size parts rather than the large parts supplied by U.S. firms.

Promotional activities are important to market development in Kuwait. The Brazilians and 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.

In the Kuwait market, opportunities for U.S. poultry products would increase if the following requirements were met:

- 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.

Tables

PSD Table						
Country	Kuwait					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	8	0	8	0	0	0
Production	29	32	0	30	0	31
Whole, Imports	54	56	0	61	0	62
Parts, Imports	11	9	0	10	0	11
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	65	65	0	71	0	73
TOTAL SUPPLY	102	97	8	101	0	104
Whole, Exports	0	1	0	2	0	2
Parts, Exports	0	0	0	1	0	1
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	1	0	3	0	3
Human Consumption	94	96	0	98	0	101
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	94	96	0	98	0	101
TOTAL Use	94	97	0	101	0	104
Ending Stocks	8	0	0	0	0	0
TOTAL DISTRIBUTION	102	97	0	101	0	104
Calendar Yr. Imp. from U.S.	0	2	0	3	0	4