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Poultry and Products

Annual Poultry Meat Report

2004

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Report Highlights:

In 2005, Kuwait's broiler production is projected at 30,000 MT, with birds mostly marketed live. Frozen chicken imports are forecast at 78,000 MT, including 65,000 MT whole chickens, and 13,000 MT parts. Brazil is expected to continue its dominance of the whole bird, bone-in and boneless parts markets. The U.S. should supply 3,000-4,000 MT frozen leg quarters, mainly for re-export to Iraq, and some bone-in chicken parts.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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1. PRODUCTION

In CY 2005 Kuwait's broiler meat production is forecast at 30,000 metric tons (MT), and is expected to recover slightly from the dismal CY 2004 production estimated to be only 28,000 MT. According to poultry industry sources, poultry farms in Kuwait were afflicted with several diseases, including Newcastle, Gamboro and Avian Influenza. Those sources believe that the situation is slowly coming under control and that production will resume at a more normal level in the coming year. Though those diseases are coming under control, mortality rates are expected to average at 10 percent this year, with some farms reporting mortality rates will average upwards of 30 percent.

Two major producers account for 75 percent of the local production, while a third, smaller producer accounts for another 15 percent. Five to six small farms account for the balance. An estimated 60 percent of the local broiler production is marketed as live, 5 percent as chilled and the balance as frozen. Demand for live chickens, mainly from the Kuwaiti nationals, is declining mainly because of practicality reasons and health concerns.

Local broiler production does not directly compete with imported broilers. Local whole frozen chicken retail prices are about 50-60 percent higher than imported frozen chicken. Local chilled chicken prices are more than double of the imported frozen chicken prices. This is due to the high cost of production as most of the production inputs are imported. One of the two major poultry farms produces 1.5-2.0 million quails annually, marketed mostly as chilled. Finally, a smaller farm produces 50,000-100,000 ducks annually, marketed mostly as live, and to lesser extent as chilled.

2. CONSUMPTION

Kuwaiti consumers, who constitute about 40 percent of the total population of 2.4 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, frozen whole chicken. Specifically, they prefer small sized (800-1,000 grams), white skinned, individually wrapped frozen chicken. Brazilian, Saudi Arabian and European chickens are more popular than U.S. chickens because they meet these preferences better.

Chicken meat is becoming more popular than red meats because of increased health awareness and because it is cheaper than other meats. The BSE scare in Europe and North America and the ecological problems Kuwait's seafood production is encountering have helped to shift consumption towards poultry meat at the expense of red meats and seafood. In addition, since early 2003, the presence of tens of thousands of coalition troops in Kuwait and nearby Iraq helped increase demand for poultry meat over the preceding years.

In 2005 total chicken meat consumption is forecast at 104,000 metric tons, of which 12,000 metric tons or 12 percent are in parts. Per capita chicken meat consumption in Kuwait is forecast at about 43 kg. Total chicken meat consumption is expected to increase 3-4 percent annually. According to the trade, consumption of poultry parts is expected to increase due to their practicality.

Kuwait enjoys one of the highest per capita incomes in the world, which is expected to increase further in 2005 due to the increase in world oil prices since mid-2004. Income distribution is not even, however. While most Kuwaiti nationals enjoy relatively high incomes, most expatriate workers, particularly those from Asia work for low wages. This explains the relatively higher preference for whole chickens compared to the more expensive parts.

Retail prices for Brazilian whole chickens, by far the dominant origin in the Kuwaiti market, range between \$1.6 and \$2.14 per kilogram, averaging at \$2.06 per kilo. The Saudi Arabian brands available are retailing at \$2.3 per kilo, while the only Danish brand on the market is retailing at \$2.14 per kilo and the only French brand available is retailing at \$2.24 per kilo. On the other hand the Kuwaiti frozen whole chicken is retailing at \$2.85 per kilo.

Retail prices for frozen Brazilian boned chicken parts, per kilo, are as follows: Drumsticks: \$2.69-3.02; Thighs: 2.18- 2.89; Wings: \$2.45-2.48; Whole Legs: \$2.18-2.91. American Drumsticks: \$2.2; Whole Legs: \$2.11. Saudi Arabian: Thighs: \$2.90; Wings: \$2.45; Drumsticks: 2.89 and Breasts: \$3.48.

Consumption comprises of broilers only. Local spent hens are discarded or recycled in the feed industry. Spent hens are not allowed to enter the food market in Kuwait.

3. IMPORT/EXPORT

In 2005 Kuwait is expected to import 78,000 MT of frozen broiler meat, including 65,000 MT frozen whole broilers and 13,000 MT chicken parts. The above is slightly higher than the estimated total imports of 77,000 in 2004. In 2005, Brazil is expected to be again the principal supplier of frozen whole chickens with estimated imports of 50,000 MT, followed by Saudi Arabia with 9,000 MT. France and Denmark are expected to be smaller suppliers with estimated imports of 3,000 MT and 2,000 MT respectively, while other suppliers, including Germany, the United Kingdom and 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 area, opted to supply the Kuwaiti market from its production facilities in Brazil rather than France.

In 2005 Brazil will also be the dominant supplier of frozen chicken parts, providing 6,000-7,000 MT of boned parts and 2,000-3,000 MT of boneless parts. Since late 2003 and early 2004 Kuwait has had a ban on poultry meat sourced from Thailand and PRC because of Avian Influenza in those two countries. The bans prompted the trade to shift sourcing of their boneless chicken parts to Brazil, until further notice.

In 2005, the United States is expected to supply about 1,000 MT of frozen boned chicken parts and 3,000-4,000 tons of frozen leg quarters. Trade sources reported that U.S. suppliers are opting for the use of bags for packing boned chicken parts, rather than the customary 2-lb trays preferred by local customers. U.S. boned chicken parts sales to this market could be adversely affected if customers suddenly shift to suppliers more responsive to their needs. U.S. leg quarters are imported mainly for re-export to Iraq.

An estimated 80 percent of all Kuwait imports are concentrated in the hands of 6-7 large companies, who are importing established Brazilian, Saudi Arabian, Danish and French brands. Another 5-10 smaller importers account for the balance of imports. Trade sources also estimate that chicken meat imports will increase about 3-4 percent annually in the coming few years. This is due to increasing consumer preference for chicken meat rather than other meats and to a lesser degree to growth in the population.

Brazil's market share increased dramatically in the past few years at the expense of European suppliers. The reduction of EU poultry subsidies made 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. This latter factor has also benefited, albeit to a smaller degree, Saudi Arabian chicken sales in Kuwait despite the

fact that Saudi chickens are 30-40 percent higher in price than chickens imported from Brazil or Europe.

Brazilian and European chicken brands are also popular because of their small sizes, competitive prices and aggressive marketing. U.S. whole chicken prices are not 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 8,000 metric tons annually. Several U.S. chicken part brands are currently available in the market. In 2004, demand for U.S. chicken parts may decrease substantially because of the switching of many U.S. suppliers to packing chicken parts in bags rather than 2-lb trays preferred by consumers. Large quantities of U.S. chicken parts are being imported for the coalition troops present in Kuwait and nearby Iraq, but these do not enter the local trade.

Brazil is now dominating the local boned parts market because of competitive prices, attractive packaging and intensive marketing efforts, including print media and TV advertising. Brazilian parts are also more popular with local consumers due to smaller parts packed in retail trays, which makes them more attractive to buyers. Trade sources estimate that Brazil's share of the boned chicken parts market now stands at 80 percent, while the United States and Saudi Arabia share the balance.

Brazil will also be the principal supplier of the boneless chicken parts market, estimated at 2,000-3,000 tons annually. Boneless parts, normally packed in 1 or 2 kg packages, 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. In addition, the ban on poultry imports from the PRC and Thailand, due to Avian Flu, should further reduce import levels of this product this next year.

Turkey imports, mainly from the United States and to a lesser degree from France and Brazil are limited to 150 MT annually. Turkey consumption is seasonal and concentrated mostly around Thanksgiving and Christmas holidays. Duck imports, mainly from the United States, France and Canada are estimated at 80 tons annually. About 10-15 MT of Cornish hens are also imported annually, exclusively from the United States. Finally, about 40-50 MT of quails are imported annually from Brazil and Lebanon.

Normally, re-exports of chicken meat from Kuwait were insignificant and were always less than 1,000 MT. However, since the liberation of Iraq by coalition forces, several Kuwaiti firms started to supply the Iraqi market. In 2004 an estimated 3,000-4,000 MT of frozen poultry meat, particularly mostly U.S. leg quarters are expected to be re-exported to Iraq. This trend is expected to continue in 2005, if peaceful conditions prevail in Iraq. Trade sources report that other countries such as Turkey and Jordan are competing with Kuwait as alternate re-export routes to Iraq.

According to trade sources Brazilian frozen whole chickens, at present, are offered at \$1,000 per MT, CIF Kuwait, up from \$850 only a few months ago. French whole chickens are offered at \$1,100 per MT, while Danish chickens are offered at \$1,200 per MT. Saudi Arabian whole chickens are offered at \$1,600 per MT. Brazilian boned chicken parts are offered at \$1,300 per MT CIF Kuwait. U.S. turkeys are offered at \$2,300 per MT, while Brazilian and French turkeys are offered at \$1,650 per MT, CIF Kuwait. Finally, French frozen whole ducks are offered at \$2,750 per MT CIF.

4. STOCKS

Kuwait does not have an official stock holding program. Trade sources report that the trade normally holds 2 months supply as stocks for the market needs.

5. ECONOMIC FACTORS

As of September 1, 2003 Kuwait's Customs Directorate started to implement the GCC Unified Customs Law (UCL), which imposes a flat five percent import tariff on practically all processed food products, including poultry meat.

There are 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; English language digits are accepted provided no letters or codes are used), and
- 6) a statement verifying that the product is Halal slaughtered.

There is no shelf life requirement for frozen chicken products in Kuwait. Manufacturers shelf life is accepted. Most importers however 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 in Kuwait within 4 months of its 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.

An estimated 70 percent of imported poultry meat is marketed through consumer cooperative societies, who dominate the food retail market in Kuwait. A growing number of newly established private supermarkets are reportedly accounting for 10 percent of the market. An estimated 10 percent of the imported poultry is marketed through the wholesale market, and the balance of 10 percent is sold to institutional users, such as restaurants, hotels, hospitals and others. The distributor's margin is 15-20 percent, the wholesaler's 7-10 percent and the retailer's margin is 10-15 percent.

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

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

- Supply smaller-sized 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.

6. PSD TABLE

Country Commodity	Kuwait Poultry, Meat, Broiler				(1000 MT)(MIL HEAD)			UOM
Market Year Begin	2003 USDA Official [Old]	Revised Post Estimate [New] 01/2003	2004 USDA Official [Old]	Estimate Post Estimate [New] 01/2004	2005 USDA Official [Old]	Forecast Post Estimate [New] 01/2005		
Inventory (Reference)	0	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	0	(1000 MT)
Production	30	30	31	28	30	0	0	(1000 MT)
Whole, Imports	61	61	62	64	65	0	0	(1000 MT)
Parts, Imports	10	11	11	13	13	0	0	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	71	72	73	77	78	0	0	(1000 MT)
TOTAL SUPPLY	101	102	104	105	108	0	0	(1000 MT)
Whole, Exports	2	1	2	0	0	0	0	(1000 MT)
Parts, Exports	1	3	1	4	4	0	0	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	3	4	3	4	4	0	0	(1000 MT)
Human Consumption	98	98	101	101	104	0	0	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	98	98	101	101	104	0	0	(1000 MT)
TOTAL Use	101	102	104	105	108	0	0	(1000 MT)
Ending Stocks	0	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	101	102	104	105	108	0	0	(1000 MT)
Cal. Yr. Imp. From US	4	4	4	4	4	0	0	(1000MT)

7. IMPORT TRADE MATRIX

Import Trade Matrix

Country Kuwait
Commodity Poultry, Meat, Broiler

Time Period JAN-DEC Units: MT
Imports for: 2002 2003
U.S. 521 U.S.
Others Others

BRAZIL	45446		
S. ARABIA	2686		
DENMARK	2715		
THAILAND	234		
PRC	1885		
GERMANY	432		
FRANCE	3030		

Total for Others 56428 0

Others not Listed 1009

1. Source: Ministry of Planning - Statistics and Census Sector.
2. Official trade statistics for CY 2003 are available through September only.