

Required Report: Required - Public Distribution

Date: September 29,2020

Report Number: TC2020-0021

Report Name: Poultry and Products Annual

Country: United Arab Emirates

Post: Dubai

Report Category: Poultry and Products

Prepared By: Rana Tarraf

Approved By: Lucas Blaustein

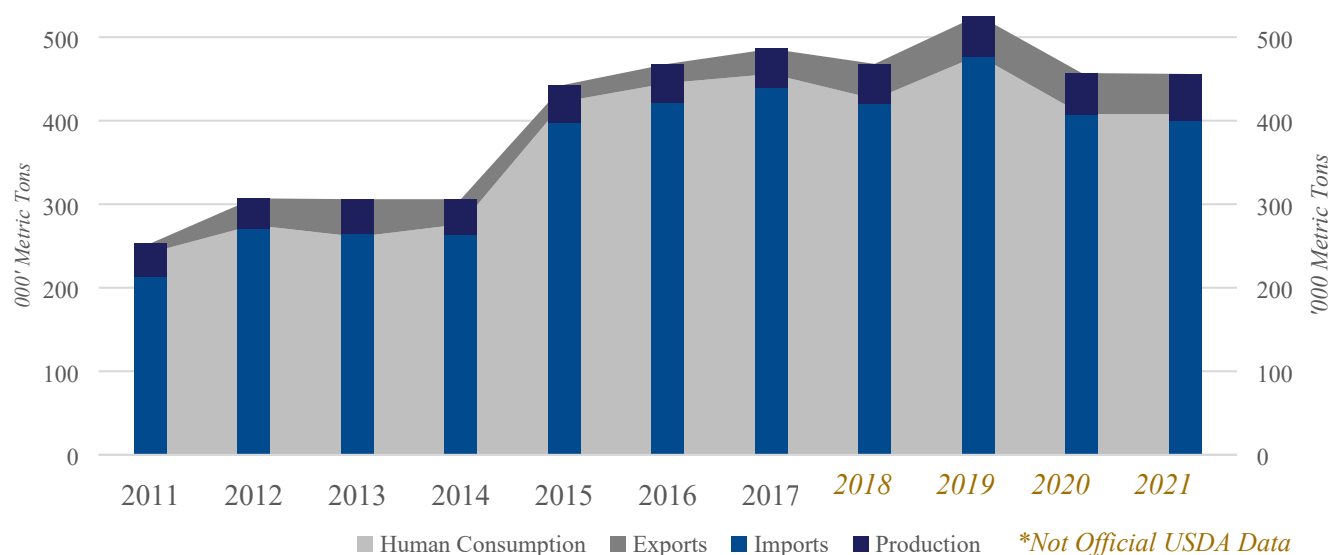
Report Highlights:

UAE consumption of chicken meat products has fallen but stabilized. Imports are projected to decline further in 2021 to 400,000 metric tons. The hotel, restaurant, and institutional sector has suffered greatly from COVID-19, and it accounts for the majority of import demand. The UAE market is expected to recover in late 2021 as major international events resume. UAE poultry producers have been able to take advantage of trade disruptions and are expanding with increased government investment.

EXECUTIVE SUMMARY

- 2021 UAE poultry production is forecast to increase to 56,000 metric tons due to higher demand for locally produced chicken meat products and increasing government support.
- Consumption in 2021 is forecast to be stable at 408,000 MT as the UAE economy slowly recovers from the novel coronavirus pandemic.
- Imports are forecast to be slightly lower at 400,000 MT in 2021. The novel coronavirus pandemic significantly decreased hotel, restaurant, and institutional demand for imported chicken meat products, on average 60 percent of total imports. The sector anticipates improvement in late 2021 as international events resume.
- As UAE demand remains weak, re-exports to the Gulf region are forecast to increase from an estimated 10 percent to 12 percent of annual imports.

UAE Chicken Meat Production, Supply, & Distribution



Questions about this report?

Please contact the Office of Agricultural Affairs in Dubai, United Arab Emirates.

Phone: +971 4 309 4000
 Email: AgDubai@USDA.gov

Office of Agricultural Affairs Dubai
USDA Foreign Agricultural Service
 American Consulate General
 Dubai, U.A.E.





Poultry production at one of the largest farms in the United Arab Emirates.

PRODUCTION

In 2021, United Arab Emirates (UAE) poultry production is forecast at 56,000 metric tons (MT), a 12 percent increase above the 2020 estimate due to higher demand for UAE chicken meat products and increasing government support. The 2020 poultry production estimate is unchanged at 50,000 MT.

The United Arab Emirates is inhospitable to most forms of agriculture because of its arid climate with nominal rainfall. The country relies upon food imports for the majority of its caloric intake. Most poultry farms are located in the Emirate of Abu Dhabi, as it accounts for more than 70 percent of UAE agricultural production. Emirati authorities value the poultry industry in their drive to achieve greater food security. Due to import supply concerns that have only been heightened by the 2020 novel coronavirus pandemic (COVID-19), the UAE government has ambitions to double local production in the near future. To achieve this and other food security targets, the [Abu Dhabi Agriculture and Food Safety Authority](#) have announced a ¹\$272 million dollars (AED 1 billion dirhams) investment fund earmarked for agricultural projects. There are currently [ongoing investments](#) in the renovation and expansion of an existing poultry farm and an entirely new poultry farm coming into operation in Abu Dhabi in 2020. For structural notes and challenges faced by UAE poultry producers please see the [2018 UAE Chicken Market Report and Outlook](#).

UAE Poultry Farms are Harmed During the COVID-19 Lockdown but Benefit from Travel Bans and Trade Disruption

For the first half of 2020, the novel coronavirus pandemic challenged UAE poultry producers with problems in operations, labor, marketing, and finance. Poultry production in the UAE is highly reliant on immigrant labor that became significantly disrupted as COVID-19 related travel bans went

¹ The UAE dirham or AED has been fixed at 3.67250 per U.S. dollar since 1981, *Source FRED*

into effect. UAE government restrictions including lockdowns, curfews, and mask requirements also heavily disrupted production. Farms and abattoirs were forced to absorb costs during the April shutdown at the same time as marketing and sales shifted mostly online.

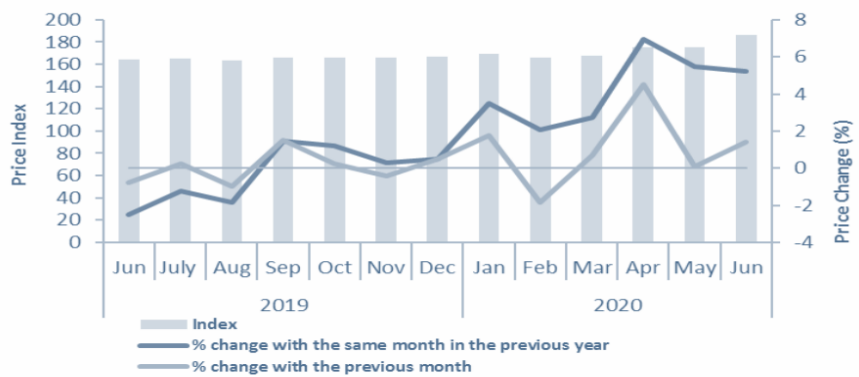
UAE ‘Fresh Chicken’



Over the last half-decade Emirati producers have been successful in differentiating their products from imports by marketing them as ‘fresh’. This niche market segment continues to grow, and many high-end grocery stores, hypermarkets, and online food apps now carry UAE chicken meat products labeled as ‘Fresh Chicken’. Only a nominal amount of domestic production is exported given high input costs and sufficient demand within the UAE for ‘fresh’ poultry products. Most domestic production is marketed and sold within the Emirates.

For the latter half of 2020, UAE producers were able to take advantage of a temporary increase in demand driven by COVID-19 lockdowns. Instead of traveling to cooler climates during the early summer months, lockdowns forced most wealthy expatriate families to shelter in place. Emirati poultry producers were able to capture this temporary demand increase and will not have any frozen carryover this year. Usually, 10 percent of UAE poultry production is frozen during the seasonal summer lull in demand. This demand uptick was also reflected in prices; fresh chicken meat prices have increased by 4.4 percent in the summer of 2020 compared to the same time last year. This stands in stark contrast to imported poultry prices for the hotel, restaurant, and institutional (HRI) sector, which have declined by roughly 30 percent. UAE poultry producers were sheltered from the worst impacts of COVID-19 because only 10 percent of UAE chicken meat is sold to the food service industry. Most food service companies rely on imports due to their lower comparative price.

Fig. 4. Price Movement of Overall Meat and Poultry: June 2019 - June 2020



Source: Dubai Chamber of Commerce

CONSUMPTION

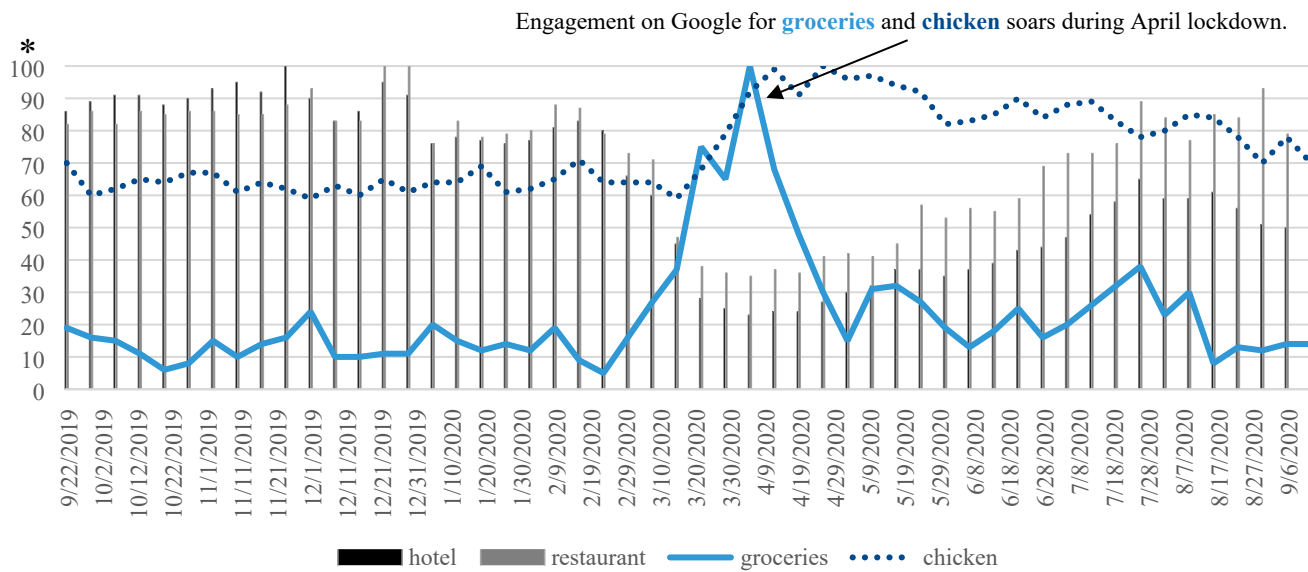
In 2021, consumption is forecast to remain stable at 408,000 MT as the overall economic situation in the UAE recovers from COVID-19. The World Expo 2020 in Dubai has been postponed to October 2021 and is expected to draw millions of international visitors from its 192 participating nations. The UAE was one of the first countries to allow inbound international travel in July 2020 and by next year will be well-practiced in containment and monitoring measures. Most other large events and tradeshow in 2020 were likewise postponed to 2021 and will help spur a V-shaped recovery in consumption in the

new post-pandemic normal. The UAE population is also forecast to recover as immigrant laborers and expatriates return from abroad with easing travel restrictions. In May 2020, roughly 260 thousand laborers out of an estimated 2.3 million laborers left the UAE due to the postponement of most oil and construction projects, including delaying Expo 2020.

HRI Consumption Falls and Groceries Move to Online Delivery

The 2020 chicken-meat consumption estimate has been adjusted lower to 408,000 MT due to COVID-19 significantly harming HRI demand. Despite UAE poultry producers receiving a short-term benefit from the lockdown, small increases in demand were more than offset by falling HRI consumption. The HRI sector is a lynchpin of the UAE economy, and the sudden halt in tourism, travel, and conferences has been devastating to consumption in these sectors. Online engagement on Google for groceries and chicken surged during the lockdown at the same time as hotel and restaurant searches plunged. Most hotels report being at 10 to 20 percent capacity compared to years previously and restaurants continue to describe difficult financial situations balancing re-opening with strict social distancing measures that limit capacity.

Selected Search Terms on Google Trends for the UAE



*A score below 50 represents falling engagement, a score above 50 represents rising engagement.

TRADE

Imports Forecast to Normalize in Late 2021 as International Events Resume

Imports are forecast to be stable but slightly lower at 400,000 MT as post-pandemic demand returns to normal in late 2021. The International Monetary Fund projects real gross domestic product (GDP) to recover to 3.3 percent in 2021 following a contraction to -3.5 percent in 2020. Tourism and business-related activity are also projected to experience a V-shaped recovery as travel increases. Trade sources state that nearly 60 percent of imported chicken meat is destined for the HRI sector. The UAE is one of the most diverse economies in the Gulf region but remains reliant on tourism.

The pandemic is estimated to have reduced tourism to the UAE by roughly 2 to 7 percent of GDP. UAE authorities and hospitality executives are projecting a late 2021 recovery timed with the resumption of major international events.

2020 chicken meat imports were adjusted downward to 407,000 MT, almost 16 percent lower than 2019 volumes. The fall in 2020 imports is largely attributed to a loss of import demand from the HRI sector. Available trade data for the first 6-months of 2020 indicates total chicken meat imports at approximately 235,000 MT, a 12 percent decline compared to the same period in 2019. Brazil and the United States continue to dominate the market, supplying 65 percent and 17 percent, respectively. Brazilian chicken meat exports to the UAE declined by 21 percent as a direct impact of COVID-19 and cratering food service demand.

U.S. exports reached 41,000 MT in the first half of 2020; leg quarters were the predominant import due to a large drop in price. This was the lowest price in 7-years and encouraged traders to buy and store additional stocks. The second half of the year is forecast to have tepid import demand. Traders are being very conscious of the weak local market. Next year is expected to stabilize for U.S. imports as the population and other factors normalize.

Ukraine has increased their market share to 10 percent in the first half of 2020. Ukrainian chicken meat exports to the UAE are increasing significantly due to many factors including: 1) a free trade agreement with the UAE; 2) more competitive prices than Brazil; and, 3) expanded production for export by Ukraine's largest producer. While comparatively smaller in total volume, chicken exports from Turkey decreased by approximately 25 percent to 6,000 MT. The UAE maintains a diverse number of trade partners with chicken meat supplies originating from the EU, Turkey, Saudi Arabia, Russia, among others.

United Arab Emirates Broiler Meat Imports					
Exporting Country	by Volume in Metric Tons and Market Share				
	Jan-June 2019	Market Share	Jan-June 2020	Market Share	Percentage change
Brazil	195	73%	154	65%	-21%
United States	35	13%	41	17%	17%
Ukraine	8	3%	23	10%	188%
Turkey	8	3%	6	3%	-25%
EU	5	2%	4	2%	-20%
Saudi Arabia	10	4%	5	2%	-50%
Others	5	2%	2	1%	-60%
Total	266	100%	235	100%	-12%

Exports Expected to Increase as UAE Economy Remains Weak

In 2021, due to large availability from Brazil and Ukraine and falling UAE demand, Post estimates that re-export will increase to 12 percent. This is also reflected in the lowered human consumption forecasts in 2020 and 2021.

The UAE does not export significant amounts of local chicken meat and consumes the vast majority of its own domestic production. Based on local industry estimates, historically around 10 percent of chicken meat is re-exported mainly to Oman, Kuwait, Saudi Arabia, and Yemen. The UAE trade reports that due to infrastructure investments in Iraq's Umm Qasr port and competitiveness from Turkish re-export, the UAE is not re-exporting even nominal amounts of chicken meat to Iraq. According to industry, most re-export constitutes leg quarters, processed chicken meat, and a very small amount of fresh poultry depending on the quality and market demand. UAE chicken meat imports that are re-exported are a combination of both further processed poultry products and re-export products. The UAE is in a trade union with other Gulf Cooperation Council (GCC) members and is a member of the Pan-Arab Free Trade Agreement (PAFTA). Due to existing trade agreements and other factors like low taxes and good infrastructure, the UAE is the central re-export hub for the Gulf region.

Chicken Meat Production, Supply and Demand Data Statistics:

Meat, Chicken	2019		2020		2021	
Market Year Begins	Jan 2019		Jan 2020		Jan 2021	
United Arab Emirates	USDA Official	*New Post	USDA Official	*New Post	USDA Official	*New Post
Beginning Stocks	0	0	0	0	0	0
Production	49	50	50	50	0	56
Total Imports	625	476	630	407	0	400
Total Supply	674	526	680	457	0	456
Total Exports	75	48	75	49	0	48
Human Consumption	599	478	605	408	0	408
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	599	478	605	408	0	408
Total Use	674	526	680	457	0	456
Ending Stocks	0	0	0	0	0	0
Total Distribution	674	526	680	457	0	456
(1000 MT)						

**Not Official USDA Data*