

Voluntary Report – Voluntary - Public Distribution

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Report Name: Smaller Packaging Size Requirement for US Poultry
Rescinded

Country: Bahrain

Post: Riyadh

Report Category: Poultry and Products, Export Accomplishments - Market Access, Trade Policy
Incident Report

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Report Highlights:

On May 3, 2021, the Bahraini Animal Control & Health Directorate (ACHD) notified FAS/Riyadh that U.S. poultry products will be allowed to flow into the local market indefinitely on the same previously followed protocol. This is a welcome sign for U.S. poultry exporters since the Directorate informed Bahraini importers in September 2020 that they must import U.S. poultry in 3x5 kg bags and not the traditional 15kg bulk packages. The 15kg pack is the standard packing size used worldwide for U.S. chicken leg quarters and limiting poultry products to smaller packing sizes would have significantly limited U.S. exports. In 2020, Bahrain imported 62,326 metric tons (MT) of poultry, an increase of approximately 5.5 percent over imports in 2019. The United States was the third largest supplier of poultry meat to Bahrain with 5,028 MT (\$3.9 million). FAS/Riyadh anticipates U.S. poultry exports will rebound for the rest of 2021 now that Bahrain rescinded its smaller packaging size requirement.

Background of Poultry Packaging Requirement

In late September 2020, FAS/Riyadh was informed by Bahraini U.S. chicken meat importers as well as U.S. industry representatives in the region that the ACHD would implement a new bulk chicken meat packaging requirement on October 10, 2020. ACHD informed Bahraini importers that U.S. chicken leg quarters must be packed into a 3x5 kg package instead of the common 15kg packages, which are used by at least 90% of the U.S. industry. According to various contacts in the region, ACHD's sudden policy change was so abrupt that many Bahraini importers could not meet the new standard. The policy was also not notified to the World Trade Organization (WTO) forcing the United States and other trading partners to seek additional clarification from ACHD.

Following requests by U.S. industry representatives as well as numerous Bahraini importers, FAS/Riyadh along with various USG partners negotiated a grace period for U.S. poultry packaging requirements until February 28, 2021. The grace period helped resolve the issue as well as extend the requirement to a later date. On May 3, 2021, ACHD notified FAS/Riyadh that U.S. poultry will be allowed to flow into Bahrain indefinitely on the same previously followed protocol (15kg package size for U.S. chicken leg quarters). This is a welcome sign for U.S. poultry exporters as well as various Bahraini importers who prefer bulk poultry packages versus smaller, more expensive packages. ACHD also indicated that any new proposed requirement will be sent through the proper trade channels, most notably the WTO.

On the other hand, ACHD requested that U.S. poultry exporters and producers assure that future packages are hygienic and meet the minimum quality specifications, such as completely removing feathers from the final product. The Directorate requested that "plastic bags be tightly sealed and fully protected by a carton box to assure the presentation and quality of the bulk chicken meat product." ACHD indicated, on several occasions, that U.S. chicken leg quarters are packed in such a way that it compromises the hygiene of the final product. FAS/Riyadh does not anticipate any stoppages to trade as a result, but it is a great reminder to assure the final package meets Bahrain's specifications in order for trade to continue uninterrupted. (Please note, photos from ACHD are attached.)

Poor Packing & Plastic Bags not Sealed



Feathers Not Completely Removed



Domestic Poultry Production

Delmon Poultry Company B.S.C. (<http://dawajen.bh/en>) is the only Bahrain poultry meat processor and packer in the Kingdom of Bahrain. The public shareholding company has a production capacity to slaughter, process, and pack nine million chickens, or approximately 9,000 MT of fresh poultry meat a year. Currently, the company does not have a farm but has contractual agreements with 21 poultry farmers in the country. Under the contractual arrangement, Delmon provides day-old chicks and feed at cost to contract growers. Most farmers raise the birds and sell them to Delmon when they are ready for marketing in 28 days. Nearly, 100 percent of Delmon's poultry meat is sold fresh as a whole chicken or as parts.

In early February 2021, the Bahraini Minister of Works, Municipalities Affairs and Urban Planning (the Ministry) visited the upcoming site of the first Delmon Poultry Farm. The 500,000 square meters area, which was recently allocated by the Ministry for the construction of the farm in Al Ghana, will enable Delmon to produce 11 million birds per year. In addition to providing the land, the Bahraini government promised to grant three million (Bahraini Dinar, or approximately \$8 million USD) to help with construction of the farm. The Ministry believes this will significantly increase the country's overall domestic poultry meat self-sufficiency level. According to the Ministry's press release, currently the local poultry production only meets 23-26 percent of domestic consumption.

The new project, which will commence construction at the end of 2021, is expected to increase the domestic production to 20 million birds, or 20,000 MT per annum. The new farm is expected to start operations at the end of 2022 and should help Bahrain meet more than 50 percent of local poultry meat demand. In the meantime, Delmon is expected to continue to produce fresh poultry meat to help with high demand, which is currently augmented by imports from Saudi Arabia. (Note: in 2020, Saudi Arabia exported 11,036 MT of mostly fresh chicken meat to Bahrain.)

In early May 2021, the Delmon Poultry Company merged with the General Poultry Company (GPC), the largest Bahraini fresh table egg producer. The GPC currently produces 2,200 MT of table eggs and engaged in an expansion plan that will more than double production capacity to 4,500 MT at the end of 2021. Currently, the GPC (<http://dawajin.bh>) produces and covers approximately 20 percent of the demand for fresh table eggs, and the completed facility expansion is expected to increase the self-sufficiency level to 40 percent.

Total Imports

In 2020, Bahrain imported 62,326 MT of poultry meat, an increase of approximately 6 percent over imports in 2019. This total accounts for nearly 75 percent of the total chicken meat demand in Bahrain. The demand for poultry and imports are both forecast to increase due to the continued expansion of the food service sector prior to the COVID-19 pandemic.

Brazil exported 36,283 MT of chicken meat to Bahrain accounting for 58 percent market share last year, followed by Saudi Arabia at 11,036 MT with 18 percent market share. The United States was the third largest supplier with 5,028 MT, or an 8 percent market share. Meanwhile, China was a distant fourth with a 6 percent market share. In the same period, Thailand exported 3 percent of total imports followed

by Ukraine and Russia at 2 percent, each, while Turkey, India, and the EU-27 accounted for only 1 percent of the market.

The United States exports mostly chicken leg quarters to Bahrain, but that decreased by 14 percent in 2020 due to hesitation from importers about the smaller packaging requirement. The negative effect of the smaller packaging requirement continued through the first three months of 2021. According to the U.S. Customs data, the United States exported only 700 MT of poultry meat to Bahrain from January-March 2021, a reduction of 51 percent compared to 1,427 MT during the same period in 2020. In 2020, the U.S. poultry /poultry product exports were approximately \$3.9 million to Bahrain.

However, Bahraini chicken meat importers indicated there is strong demand for U.S. chicken leg quarters, and they were excited to see ACHD retract the requirement for smaller packaging sizes. According to various poultry experts in the region, the implementation of the 3x5 kg requirement would have drastically reduced U.S. chicken leg quarter imports to the Kingdom as only a limited number of U.S. suppliers could have met the new requirement. Thanks to ACHD's announcement, many Bahraini importers stated they will increase their imports from the United States now that there is no more confusion over bulk packaging.

Total Bahraini Chicken Meat Imports 2019-2020

| Reporter | 2019 | Market Share | 2020 | Market Share |
|----------------------|---------------|---------------------|---------------|---------------------|
| Brazil | 31,463 | 53% | 36,283 | 58% |
| Saudi Arabia | 9,596 | 16% | 11,036 | 18% |
| United States | 5,857 | 10% | 5,028 | 8% |
| China | 7,253 | 12% | 3,600 | 6% |
| Thailand | 1,073 | 2% | 1,811 | 3% |
| Russia | 899 | 2% | 1,090 | 2% |
| Ukraine | 741 | 1% | 1,274 | 2% |
| Turkey | 401 | 1% | 907 | 1% |
| India | 870 | 1% | 676 | 1% |
| EU 27) | 295 | 0% | 348 | 1% |
| Other Countries | 629 | 1% | 273 | 0% |
| Total Imports | 59,077 | 100% | 62,326 | 100% |

Source: Trade Data Monitor (TDM)

Imports – Various Poultry Products

In 2020, Bahrain imported 32,198 MT of frozen whole chicken, accounting for 52 percent of the total imports of 62,326 MT. The whole chicken meat imports in 2020 increased by 28 percent, or 7,122 MT over imports in 2019. Nearly, 75 percent of Brazilian chicken meat exports to Bahrain in 2020 were frozen. Other frozen whole chicken meat suppliers to Bahrain were Russia and Ukraine, which exported nearly 100 percent frozen product to Bahrain. Other frozen suppliers include Thailand (51 percent frozen), Turkey (67 percent), India (96 percent) and the EU-27 (44 percent).

Saudi Arabia, the United States and China export mostly chicken parts. While Saudi Arabia exports fresh chicken parts to Bahrain, chicken leg quarters account for approximately 95 percent of the total U.S. chicken meat exports to the Kingdom. For the past several years, the United States has been the sole supplier of chicken leg quarters to Bahrain while Brazil, China, and others supply mostly deboned poultry meat.

While poultry consumption by Bahraini households has been in the form of whole chicken, demand for chicken parts has soared over the past several years due in part to an increase in more family members working outside the home, an expansion of Shawarma restaurants (popular Middle Eastern style sandwich), and the rising demand for ready-to-cook poultry meals. The continued growth of food retail outlets along with the food service sector and hotels have also increased demand for chicken parts (e.g., leg quarters, breast, and deboned chicken meat). Even though COVID-19 restrictions and lockdown measures have affected the food service demand in certain areas, demand within the household has increased significantly resulting in a 6 percent surge in total chicken meat imports to Bahrain in 2020 compared to 2019 (62,326 MT vs. 59,077 MT).

Bahraini Imports of Whole Chicken Meat for 2019-2020

| Reporter | 2019 | 2020 |
|-----------------|--------|--------|
| Brazil | 21,977 | 27,389 |
| Russia | 899 | 1,090 |
| India | 833 | 650 |
| Ukraine | 731 | 1,274 |
| Thailand | 0 | 925 |
| Turkey | 243 | 612 |
| EU 27 | 222 | 154 |
| Uruguay | 159 | 54 |
| Saudi Arabia | 11 | 49 |
| Other Countries | 1 | 1 |

| | | |
|-------|--------|--------|
| Total | 25,076 | 32,198 |
|-------|--------|--------|

Source: TDM

Attachments:

No Attachments.