USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 10/1/2015
GAIN Report Number: UAE 05-2015

United Arab Emirates

Poultry and Products Annual

UAE Annual Poultry and Products Report

Approved By:
Quintin Gray

Prepared By:
Mohamed Taha and Rana Tarraf

Report Highlights:

The United Arab Emirates (UAE) poultry sector continues to grow modestly. Total UAE 2015 domestic poultry meat production is expected to reach 45,000 metric ton, an increase of 5 percent over the previous year. Production in 2016 is expected to reach 46,000 MT. Almost 95 percent of poultry production is of whole chicken which is sold chilled. During the summer months when sales usually drop, nearly 5 percent of the production is sold frozen. Local production covers about 15 percent of the UAE's total market demand. The remaining 85 percent is imported.

Commodities:

Select

Production:

The UAE 2015 total domestic poultry meat production is expected to reach 45,000 MT by the end of the year, showing slight improvement in the local production despite the challenges the industry faces. A small poultry production facility that is under construction is expected to increase production in 2016 to 46 MT, when completed and starts production. According to a reliable UAE poultry producer, UAE table egg production grew substantially to about 850 million this year.

With the exception of one quail farm, chicken production dominates total UAE poultry sector. The small quail farm produces an estimated 300,000 birds per month.

The poultry production sector in the UAE continues to face serious challenges with diseases being the greatest problem. Old disease strains have mutated to new strains, particularly low pathogenic avian influenza, which complicates the situation for the producers. Migratory birds and wild animals also contribute to the movement of diseases to farms. As a result, mortality is reported to be as high as 25 percent on some farms, but in general it is estimated at about 12 percent. Diseases will continue to pose big threats to producers.

All locally produced chicken are Halal slaughtered. Hand slaughtering is the most common slaughtering practice. Stunning is not allowed in poultry according to UAE law. As a result, the movement of the birds during slaughtering complicates the slaughtering process, with producers ending up having a large number of birds with broken wings, legs and other damages which has resulted in the downgrading of 15 percent of the production.

The Steam Scalding Method has been introduced in the UAE and is reported to have helped greatly in reducing cross contamination and bacterial count, compared to the old method of using boiling water.

Also, according to industry sources, Saudi Arabia and Oman export fresh poultry meat to the UAE causing marketing challenges for local producers since both countries receive support from their governments.

Biosecurity remains a delicate issue for poultry production farms in UAE. Also, high feed prices pose an added challenge to local poultry producers which forces some of the smaller producers to close down their operations

In the absence of subsidies from the federal government, poultry producers face fierce competition from their counterparts in the Emirate of Abu Dhabi which provides 25% subsidy to its poultry farmers for feed purchases. The movement of Abu Dhabi produced feed to other UAE emirates is not permitted and considered illegal.

Poultry production is on a 4-6 week cycle. On average, the ages of the birds slaughtered are between 28 to 32 days. The average bird weight gain rate is reported at 40 g/day. Live chicken is slaughtered at 1.3 kg weight that dresses out at 1 kg. The feed conversion rate is reported at about 1.64 kg to 1 kg and it varies depending on the farm management and utilized breed.

Major poultry operations are fully integrated, including on-farm slaughtering facilities. Domestically produced poultry is generally marketed fresh/chilled. During the summer months when sales typically drop, major operations freeze 5% to 10% of their production. Spent hens are generally destroyed or recycled in rendering plants. The same applies to chicken paws.

Local production of processed poultry is limited to chicken franks and chicken parts, particularly breasts. Negligible amounts of locally produced chicken franks are exported to neighboring GCC and other Arab countries.

The use of growth hormones in poultry production is prohibited in the UAE. The UAE imports day old baby chicks from Arab and European countries to meet the local demand since the production of chicks remains insufficient.

Estimates of UAE poultry production from 2009 to 2015:

TYPE	**2011**	**2012**	**2013**	**2014**	**2015***	**2016***
No. of Farms	**12**	**11**	**12**	**13**	**20**	**21**
Chicken Meats (Tons)	**40,000**	**37,000**	**41,000**	**43,000**	**45,000**	**46,000**

Source: ***Ministry of Environment and Water***
****** OAA Dubai and producers' Estimates***

Consumption:
Population increase, growing tourism and transit passengers passing through UAE airports and active Hotel, Restaurants, and Institution (HRI) (spell out acronym) sector contribute positively to increasing poultry consumption.

The consumption ratio of locally produced chicken is expected to remain constant. Locally produced chicken are generally consumed by UAE nationals who represent 15% of the population, consumers with high disposable income and Muslims who prefer to consume products with guaranteed Halal slaughter.

Locally produced chicken is subject to strict supervision and inspection by the UAE government, to ensure that they receive highest food safety treatment and that they are fit for human consumption. The UAE does not have a market for paws which are usually rendered, dried and used as manure.

Generally, household consumers prefer whole birds of small size weighing 800 to 1100 grams. The consumption of b**oneless chicken is gradually gaining ground. However, their high price, particularly boneless chicken breasts, prevents them from capturing bigger market share.** Leg quarters are very popular among food service and catering companies that cater for labor camps for their low price since this sector is very competitive. For those who prefer white meat over red meat, whether for health or economic reasons, chicken is an excellent source of protein. When choosing between fish and chicken, those with limited disposable income would choose chicken again for its lower cost. Also, chicken is in strong demand because it could be used for numerous cuisines.

Boneless chicken is imported mainly for restaurants consumption, particularly the Shawarma stands. Ducks are imported around the year, but they are generally used mostly in far eastern cuisine. Whole turkey is also imported during the year, but demand for this product surges during the holiday season of Thanksgiving and Christmas. Turkey parts are imported for further processing, especially smoked turkey breast.

Mechanically separated chicken and turkey meats are also imported for further processing of chicken/turkey rolls and franks.

Domestic and imported poultry products are retailed side by side in major retail outlets. Smaller grocery shops focus mainly on imported frozen chicken and products. Local production is marketed fresh/chilled. For imported birds, mostly frozen, the sizes vary between 900 grams to 1500 grams. In the retail market, 65% of market share consists of birds between 1,000g to 1,200 grams, and 35% between 1,300 to 1,400 grams. Imported whole chicken retails at about $4 to $5.8/kg, depending on the brand, whereas the cost of domestic chicken retails at about US $5/kg.

Brazilian chicken is popular in the UAE. It is perceived as a quality product, competitively priced, and has low water content. Currently, C&F prices of Brazilian whole bird revolve around $1,750 per MT, and leg quarters at about $800 per MT. U.S. leg quarters have a bigger market share than Brazilian leg quarters. The average size of leg quarters imported from the US is 350 to 500 grams, bigger than Brazilian leg quarters. Leg quarters are popular among the local HRI sector because of its high quality and low prices. Current U.S. leg quarters C&F prices range between $ 525 and $550 per MT. However, the relatively large size of U.S. leg quarters can cause problems for some end users such as cafeterias and catering companies accustomed to working with smaller pieces. Leg quarters, usually packed in 20 lb. cartons, are well suited for the HRI sector. Trade sources advise that nearly 75% of imported poultry is consumed by the foodservice sector.

The poultry consumption preference is whole birds, leg quarters, boneless whole chicken, chicken breast, drumsticks, wings and other offal.

Retail prices of imported and locally produced poultry:

Description	Origin	Price Per Kg (USD)
Whole Chicken - Fresh	Oman	4.26
Whole Chicken - Fresh	UAE	5.17
Whole Chicken – Frozen	UAE	4.3
Whole Chicken – Frozen	Brazil	2.99-3
Whole Chicken - Frozen	Turkey	2.35

Boneless, skinless breast - Fresh	UAE	8.03
Boneless, skinless breast - Frozen	Brazil	8.6
Boneless, skinless breast - Frozen	UAE	7
Chicken Wings – Fresh	UAE	4.30
Chicken Wings – Frozen	Brazil	4.74
Chicken Wings – Frozen	UAE	5.67
Drumsticks – Fresh	UAE	9.3
Drumsticks – Fresh	Oman	4.8
Drumsticks – Frozen	Brazil	5.6
Chicken Livers -Frozen	Brazil	4
Chicken Gizzards – Frozen	Brazil	4.7
Whole Duck - Frozen	USA	7.29
Quails – Frozen	UAE	10
Quails – Frozen	KSA	8.5

Trade:

Poultry imports in 2014 reached 357,000 MT, showing slight decrease from 2013 imports that totaled 361,000 MT. This is attributed mainly to lower re-export activities. Imports are expected to modestly increase in 2015 and 2016 by 1-2 percent, (365,000 MT and 370,000 MT, consecutively). This forecast is based on favoring factors, including improved economy and the aggressive development plan set by the UAE Government for the coming years.

The UAE became among the world's top 10 tourism destinations and the most popular in the Arab World according to the United Nations World Tourism Organization (UNWTO). During 2013, Dubai alone attracted 10 million tourists, according to the Dubai Tourism and Commerce Marketing (DTCM), with a hotel occupancy rate of 85% in Dubai. HRI sector is set to increase further in coming years.

With Dubai winning the bid for World Expo 2020, an ambitious development plan will be released in 2015. This is expected to attract major investors and developers which should lead to an increase in the working force of all levels. This is expected to reflect positively on imports of all types of food products, including poultry.

In the absence of official UAE trade data, post utilized mirror data provided by the International Trade Center, calculations are based on UN COMTRADE. For this reason, UAE poultry exports and re-exports are summed under UAE exports. Unless there is a change in the current situation, re-exports are not likely to increase in the next few years.

The UAE follows an open market policy and closely monitors the OIE and its notifications regarding animal health. Importers in UAE prefer to maintain limited stocks in order to take advantage of changing international prices. This practice reduces their exposure to fluctuating prices, as well as the cost of cold storage and enables them to market a fresher product. As for local production, producers prefer to dispose of stocks on a daily basis.

The UAE economy continues to show consistent growth. Abu Dhabi, where contribution of crude oil to the economy is significant, is expecting a 7% average growth rate in its economy through 2015. Dubai on the other hand, with its depleting oil reserves will continue to depend on non-oil sectors to generate income. Ongoing developments in infrastructure projects, recovery in the construction sector, and growth in the tourism sector and the steady increase in population are contributing factors to this growth.

Brazil is the leading supplier of poultry to the UAE, with 68% of market share, followed by the United States, and France. The majority of re-exported poultry products are destined to Oman, Kuwait and Qatar.

After the detection of HPAI in several U.S. states, the UAE banned imports of poultry from the infected states. After negotiations with Government of the UAE, the USDA was able to minimize the UAE to the U.S. infected counties. This will negatively impact U.S. poultry exports to the UAE by about 10 percent.

The following tables are summaries of poultry trade in the UAE for the past 3 years. They provide a breakdown of imported, exported and re-exported poultry by volume, categorized by HS Code and top 10 countries of destination.

	IMPORT		**EXPORT/RE-EXPORTS**	
	Value (US$ Million)	**Weight (MT)**	**Value (USD Million)**	**Weight (MT)**
2012	645	362,564	54	20,898
2013	689	361,135	54	22,424
2014	672	322,219	68	23,332
2015*	700	365,000	70	25,000
2016*	NA	370,000	70	25,000

Source: ***Trade Statistics – UAE Customs Authorities***
Not official USDA Data
***OAA Estimates based on trade recommendations and International Trade Center Data**
*****

Major poultry supplying countries & their poultry exports to the UAE in 2014* (Top suppliers):

HS Code 0207	**UAE Imports By Volume**				
Country	**Weight (MT)**	**Value (USD Million)**			

Brazil	256,597	506			
USA	77,286	79			
France	12,861	26			
Thailand	2,971	9			
Turkey	3,210	8			
<u>Source</u>: *Not official USDA Data*					
**International Trade Center Data*					

UAE poultry exports/re-exports in 2014 (Top 5 countries exported to):

HS Code 0207	**UAE Exports by Volume**		
Country	**Weight (Kg)**	**Value (USD Million)**	
Sultanate of Oman	13,427	31	
Kuwait	4,389	18	
Qatar	1,990	9	
Lebanon	809	3	
Hong Kong	636	3	

<u>Source</u>: *International Trade Center Data*
Not official USDA Data

Policy:

Import Requirements-

Labeling requirements for poultry products remain unchanged. The product label is basically required to carry the following information, in Arabic:

a) Date of production and expiry;
b) Product and Brand name;
c) Net weight;
d) Country of origin; and
e) The producer's name and address.

Poultry must be slaughtered according to Islamic requirements. A Halal slaughter certificate issued by an approved U.S. Islamic Center must accompany the shipment. Currently, there are 5 approved Halal centers in the U.S. for certifying Halal slaughtering for exports to the UAE. Names and contact information of the 5 approved Halal certifiers are listed in the FSIS export library for the United Arab Emirates.

More details are available in the Food and Agricultural Import Regulations and Standards (FAIRS) report by clicking HERE

Marketing:

The most popular advertising tool is the print media followed by television. Year-round advertising campaigns are the norm for this market. In store promotions are common, particularly for new to market products. Suppliers and local producers are looking constantly to identify new markets and opportunities to expand sales. Suppliers usually support local agents with promotional resources. Brazilian suppliers allocate large advertising budgets for their product promotional campaign. U.S. Poultry and Export Council regularly conduct in-store promotions for imported processed poultry products. Major local poultry producer regularly advertise their products in the retail market.

Distribution Channels:

Distribution channels for imported and domestically produced poultry are very similar: importer to wholesaler to distributor to retailer. Large domestic producers distribute products directly to retailers. Both importers and domestic producers of poultry are well equipped with excellent cold storage warehouse facilities and refrigerated trucks for distribution. Both sectors are staffed with well-trained sales representatives. Major retailers have state-of-the-art supermarkets and hypermarkets and are focusing on customer service to ensure that their products are ideally presented and marketed to consumers.

Production, Supply and Demand Data Statistics:
Poultry PSD table with estimates for 2012 to 2015:

PSD Table	2013	2014	2015*	2016*
Production (MT)	41,000	43,000	45,000	46,000
Total Imports	361,135	359,222	365,000	370,000
Total Supply	402,135	402,222	410,000	416,000
Total Exports/re-exports	22,424	23,332	25,000	25,000
Human Consumption	379,711	378,890	385,000	391,000

Source: ** OAA Estimates and International Trade Center Data- Not official USDA Data*