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## **Report Name:** Poultry and Products Annual

**Country:** United Arab Emirates

**Post:** Dubai

**Report Category:** Poultry and Products

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### **Report Highlights:**

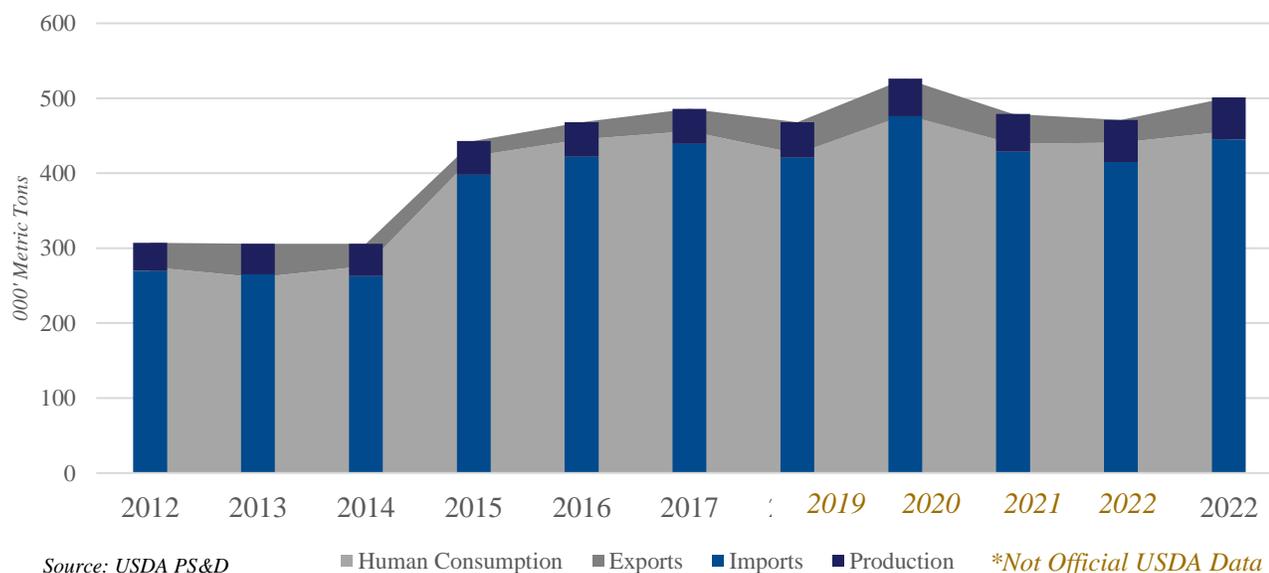
UAE chicken meat consumption is projected to rise in 2022 due to a robust economic recovery. Imports are also projected to increase to 445,000 metric tons (MT) in 2022 as tourism, business travel, and events support a stronger hotel, restaurant, and institutional (HRI) sector. COVID-19 related disruptions to supply chains and high prices in 2020 and early 2021 have driven industry consolidation, with a healthier trade emerging. The same disruptions, higher input costs, and other factors have stymied the UAE's planned poultry production increases.

## EXECUTIVE SUMMARY

- 2022 UAE poultry production is forecast to remain unchanged at 56,000 metric tons due to higher input costs and a price ceiling curbing growth.
- The recovery in the HRI sector and strong COVID-19 mitigation measures are expected to drive 2022 consumption higher to 456,000 metric tons.
- Imports in 2022 are forecast to increase to 445,000 metric tons. Tourism to the UAE has recovered in 2021 and is anticipated to maintain its strength into 2022 as a V-shaped economic recovery takes hold. High occupancy rates in hotels and major events like Expo Dubai are fueling healthy demand and a return to trend.
- UAE exports are expected to recover in 2022 as the industry adjusts to higher input costs and prices stabilize. 2021 exports have been adjusted downward to reflect the lack of UAE chicken meat price competitiveness.

**UAE Chicken Meat Production, Supply, & Distribution**

Figure 1



### Questions about this report?

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## PRODUCTION

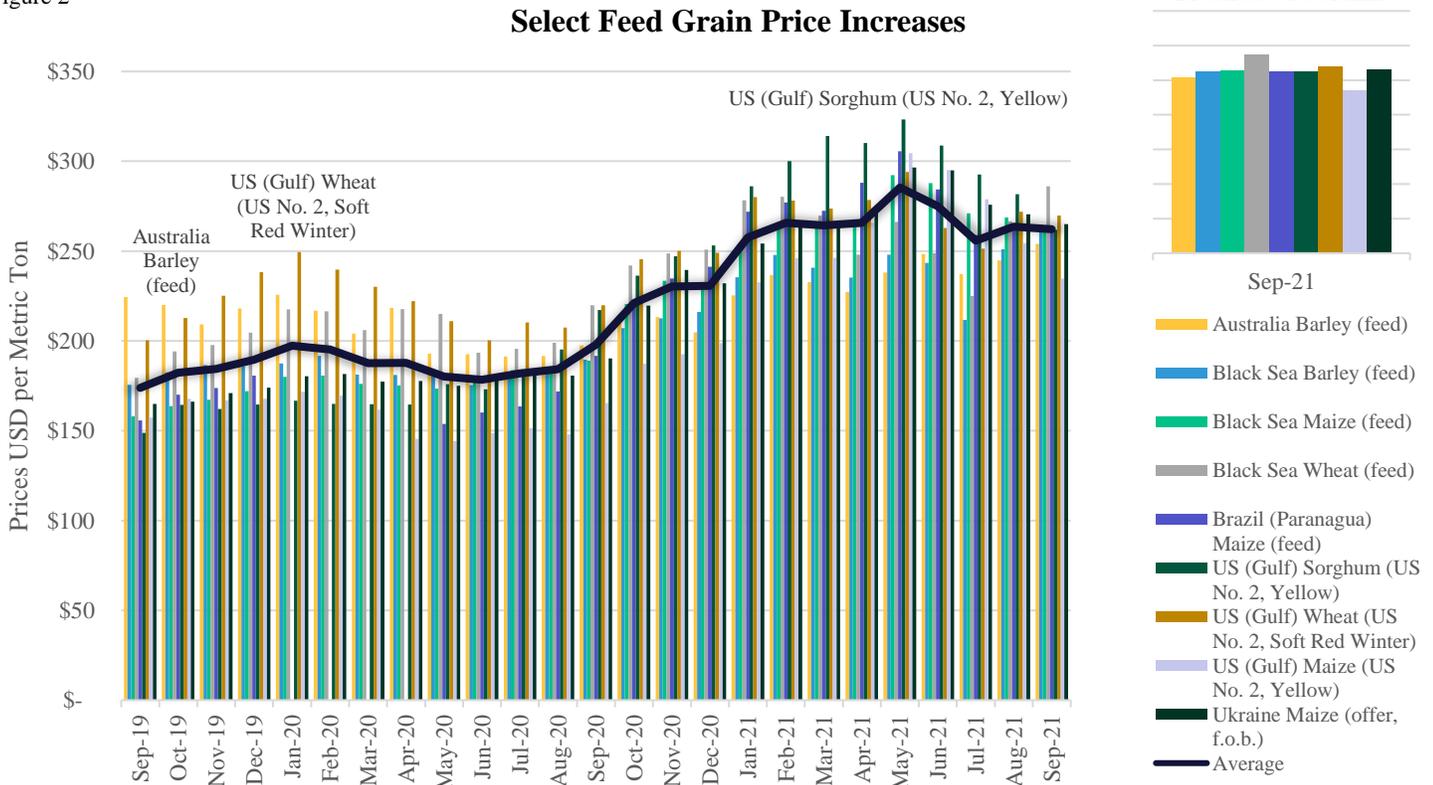
In 2022, the United Arab Emirates' (UAE's) poultry production is forecast to remain unchanged from 2021 at 56,000 metric tons (MT). Increasing feed and other input costs, combined with a government set price ceiling on fresh chicken at retail outlets have stopped further production increases.

Most forms of agriculture are difficult and costly in the United Arab Emirates due to limited arable land and nominal rainfall. Because of production constraints the UAE is dependent upon food imports to maintain its high levels of consumption and diversity of food. The country's limited agriculture is concentrated in the Emirate of Abu Dhabi, where most poultry production takes place. In 2020, the UAE earmarked significant funding to increase food security, with some of that funding going to open new and expand existing poultry farms. For more information on the UAE's desire to increase domestic agricultural production please see the [2020 UAE Poultry and Poultry Products Annual](#) and the [2021 Grain and Feed](#) report.

### Higher Input Costs and Other Challenges Hamper Growth

Initially, the novel coronavirus helped UAE poultry producers by disrupting global supply chains, introducing a short-term supply shortage, and driving up prices. But high poultry prices were eventually followed by higher input costs, eroding much of the margin gains. From September 2019 to September 2021 feed grains have increased by 55 percent according to data from the Food and Agricultural Organization's Food Price Monitoring and Analysis (FAO FPMA) (Figure 2). UAE poultry production is dependent on imports for nearly all inputs, from medicine, packaging, and equipment to feed. These substantial cost increases have challenged the production equation and reduced profitability.

Figure 2



Source: Trade Data Monitor, LLC

Higher input costs have been exacerbated by a UAE government set price ceiling or cap within local Coops and other retail establishments that sell mostly to the Emirati community. The UAE Government maintains a price cap of 21.5 AED plus VAT on all fresh chicken sold within the UAE and retailers may not exceed this price. While the price cap is occasionally adjusted, the policy is keeping production from expanding further. Price ceilings set below the equilibrium price are known to create artificial shortages in a market, where quantity supplied is less than quantity demanded. The price ceiling also effects poultry farm profitability, as farms cannot raise prices in line with increased costs. In 2021, strong competition from Brazil on frozen products and the Kingdom of Saudi Arabia on fresh poultry has also had a deleterious impact on the expansion of UAE flocks.

## CONSUMPTION

In 2022, consumption is forecast to grow modestly to 456,000 MT as tourism, travel, and business further recover and COVID-19 remains under control. Trade shows resumed in the winter of 2020 and continue with well-practiced mitigation measures in place. Vaccines have become ubiquitous, and the UAE requires coronavirus testing after airport arrival and before entry to major events. Post has raised the 2021 consumption estimate to 441,000 MT to reflect the robust economic recovery.

### *HRI Consumption Rebounds and Prices Fall from Pandemic Highs*

On October 1, 2021, the World Expo 2020 in Dubai launched to much fanfare and will run for another 182 days until March 2022. Even ahead of Expo’s opening, the UAE is experiencing a marked uptick in visitors, with average hotel occupancy during the second quarter in Dubai at 77 percent according to Government of Dubai statistics. Emirates Airlines has resumed many flights to the European Union and North America, drawing in visitors from other highly vaccinated nations. Strong pandemic controls and high vaccination rates in the region have also allowed travel to mostly resume among Gulf Cooperation Council nations, drawing people from around the Arabian Gulf, Middle East, and North Africa to the UAE for long-delayed business meetings and conferences. Both the World Bank and Dubai report an increase in the projected population in 2021 due to the strong economic recovery and good pandemic handling.

Amidst rising global food prices, poultry remains a comparatively cheap source of animal protein in the UAE. As of July 2021, poultry prices were -0.5 percent lower than the same time last year and have declined every month in 2021 since record high prices in 2020 according to the Dubai Chamber’s Fresh Food Price Index (Figure 3). Lower prices have supported increased consumption along with the recovery in the HRI sector.

Figure 3

**Price Movement of Overall Meat and Poultry:  
July 2020 - July 2021**



*Source: Dubai Chamber*

## TRADE

### *Imports Forecast to Grow as Trade Recovers from the Pandemic*

Imports are forecast at 445,000 MT in 2022 as trade recovers from disruptions centered around the novel coronavirus pandemic. After two difficult years in a row challenged poultry traders in the UAE, trade sources report that the market is finally beginning to stabilize. COVID-19 related shipping delays and higher prices in 2020 and early 2021 made markets irrational longer than some traders could remain solvent, with many consolidators and intermediary players exiting the business. While this has led to a decrease in imports over the last two years, the UAE industry reports that margins have now recovered. A combination of industry consolidation and renewed HRI demand has been a boon for the surviving businesses despite continued logistical delays and lower retail prices.

### *The V-Shaped Recovery Takes Hold*

2020 imports have been adjusted up slightly to 429,000 MT based on exports to the UAE reported in Trade Data Monitor, LLC, but remain below the 5-year average of 437,000 MT. Based on available data, the 2021 forecast has also been raised slightly to 415,000 MT, with trade still projected to rebound in late 2021 and 2022. The IMF has adjusted down 2020 real GDP growth in the UAE to -5.9 percent, and projects recovery to 3.1 percent in 2021 and then 2.6 percent thereafter. Both in data and anecdotally the UAE remains in a V-shaped recovery. The UAE Central Bank is reporting a similar if not more robust economic recovery as retail sales, tourism, and hydrocarbon prices rise. Considering the trade reports that more than half of all poultry meat goes to the HRI sector, the continued economic recovery will help support larger poultry meat imports.



A USDA Food Safety Inspection Service Employee Checks Halal Chicken Leg Quarters for Export

### *Brazil Consolidates Market Share and Other Origins Rise*

Amid high U.S. prices and continued logistical disruptions, the UAE has turned to other sources for poultry meat and products. Over 98 percent of U.S. poultry meat exported to the UAE is chicken leg

quarters. Some traders report difficulty sourcing U.S. chicken leg quarters at prices competitive to other global origins.

Following the 2018 real estate crisis in Dubai, the Emirate acted to slow construction of new buildings to correct for oversupply. The number of new building under construction in Dubai has slowed by - 44.71 percent from 16,670 in 2018 to 11,519 in 2020. Labor in the construction sector is the primary driver for the demand for chicken leg quarters. Laborers like chicken leg quarters because they prefer dark meat and it is an affordable source of protein. The drawdown in construction labor in Dubai has had an adverse impact on U.S. market share in the UAE, given it is the United States' chief chicken product export.

Another factor driving the increase of Brazilian and other countries market share is packaging and portion sizes. The U.S. standard packaging size is a larger 4x5, 20 kilogram (kg) pack, whereas most other export origins use a 6x2 12 kg pack size. Given the convenience of moving product among different channels, the larger U.S. pack size affects the ability of intermediary players to switch market sectors (from hotels to restaurants), and sell product to smaller restaurants, that may not be able to use all the chicken in the larger pack or want to spend less on a smaller quantity. U.S. chicken leg quarters are also larger in size than competitors and this negatively impacts demand because the chicken is usually served in combination with rice, and smaller chicken leg quarters allow the meat to be spread amongst greater portions.

In May 2021, Saudi Arabia also [banned exports from 11 Brazilian processing plants](#). The unexpected export ban encouraged Brazilian suppliers to switch product to the UAE and traders report this helped increase Brazilian market share in 2021.

Table 1

Poultry and Product Exports to the UAE					
Exporting Country	by Volume in Metric Tons and Market Share				
	Jan-June 2020	Market Share	Jan-June 2021	Market Share	Percentage Change in Quantity
Brazil	154	64%	148	70%	-4.08
United States	41	17%	24	11%	-41.37
Ukraine	22	9%	10	5%	-55.27%
Saudi Arabia	7.1	3%	8.8	4%	23.05%
Bahrain	0.016	0%	6.9	3%	42,850%
Turkey	6.9	3%	5.1	2%	-26.15%
EU 27	4.3	2%	3.2	2%	-24.95%
Malaysia	1.8	1%	2.3	1%	23.09%
Russia	0.295	0%	1.8	1%	525%
Others	1.5	1%	2.4	1%	40%
<b>Total</b>	<b>239</b>	<b>100%</b>	<b>212</b>	<b>100%</b>	<b>-12.74%</b>

Source: Trade Data Monitor, LLC

### *UAE Exports Expected to Recover as the Industry Adjusts to Higher Input Costs*

In 2022, UAE exports are forecast to recover to 45,000 MT after a tough year in 2021 due to higher input costs. Input costs have risen considerably and challenged UAE poultry producers' profitability. The higher costs have resulted in a significant price gap between fresh and imported frozen poultry, with some trade sources reporting a gap from 7 to 21 AED per kilogram. This price gap has reduced the price competitiveness of UAE poultry products in the region.

Both Saudi Arabia and Bahrain have also increased their poultry product exports to the UAE, further pressuring UAE domestic production. Saudi Arabia is the nearest large-scale poultry producer and has very competitive prices in comparison to local UAE production. During the summer months Emirati chicken farms will often freeze a portion of local production, and these frozen and further processed products make up the bulk of the UAE's chicken meat exports. Post forecasts that as input prices fall and the production equation adjusts, UAE exports will recover in 2022. However, UAE exports remain a small part of the overall industry, with most production being consumed locally. The UAE is a central re-export hub for the entire region, and most UAE exports consist of imported and slightly processed products.

### **Attachments:**

No Attachments

### Chicken Meat Production, Supply and Demand Data Statistics:

<b>Meat, Chicken</b>	<b>2020</b>		<b>2021</b>		<b>2022</b>	
<b>Market Year Begins</b>	<b>Jan 2020</b>		<b>Jan 2021</b>		<b>Jan 2022</b>	
<b>United Arab Emirates</b>	<b>USDA Official</b>	<b>*New Post</b>	<b>USDA Official</b>	<b>*New Post</b>	<b>USDA Official</b>	<b>*New Post</b>
Beginning Stocks	0	0	0	0	0	0
Production	50	50	55	56	0	56
Total Imports	420	429	445	415	0	445
<b>Total Supply</b>	<b>470</b>	<b>479</b>	<b>500</b>	<b>471</b>	<b>0</b>	<b>501</b>
Total Exports	35	40	40	30	0	45
Human Consumption	435	439	460	441	0	456
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	435	439	460	441	0	456
Total Use	470	479	500	471	0	501
Ending Stocks	0	0	0	0	0	0
<b>Total Distribution</b>	<b>470</b>	<b>479</b>	<b>500</b>	<b>471</b>	<b>0</b>	<b>501</b>
(1000 MT)						

*\*Not Official USDA Data*