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GAIN Report

Global Agricultural Information Network

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United Arab Emirates

Poultry and Products Annual

2018 UAE Chicken Market Report and Outlook

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Report Highlights:

UAE chicken meat imports are expected to drop by two percent in 2018 due to slower economic growth, implementation of a five percent value-added tax (VAT), and lack of liquidity in the market. Imports are likely to rebound slowly in 2019 to reach 415,000 MT as the UAE accelerates preparations for World Expo 2020. UAE domestic chicken production in 2019 is expected to rise slightly, up four percent from 2018 with one major producer increasing their operational capacity and adding production lines.

Note Regarding Reporting Change-

This report provides chicken meat estimates and forecasts for 2017-2019. The prior broiler meat series has been discontinued and will not be revised or updated in the future.

Official USDA data will be available via the PSD database (<http://www.fas.usda.gov/psdonline>) on October 11, 2018. The October data release will include a historical chicken meat series back to 1999. The broiler meat series will terminate with 2016 data.

Chicken meat is defined as meat of domestic fowl (*Gallus gallus/Gallus domesticus*) including all chickens: broiler, layer, hybrid, domestic breeds, spent hens, ex-breeding stock, etc.

Executive Summary:

A series of factors including tempered consumer spending, a newly introduced 5 percent VAT, and traders lack of on-hand capital have caused challenges for the chicken meat market in the UAE. As a result, 2018 UAE chicken meat imports are expected to drop to 408,000 MT, almost two percent lower than 2017 volumes. In 2019, chicken meat imports are expected to increase modestly to reach 415,000 MT as the UAE finalizes preparations for the World Expo 2020.

Total UAE chicken meat production is expected to be 47,000 MT in 2018, as no additional projects were scheduled for 2018. Major UAE poultry producers anticipate 2019 production volumes to reach 49,000 MT, a four percent increase from the previous year. This increase will be driven by the renovation and expansion of an existing poultry farm in the Emirate of Abu Dhabi.

Local production accounts for approximately 10 percent of the UAE's total poultry supply with the majority of product imported from Brazil and the United States. The UAE is not an exporter of broiler meat and consumes the total amount of supply that is available annually. Brazil remains the dominant supplier of chicken meat to UAE with approximately 72 percent market share.

Commodities:

Meat, Chicken

Production:

UAE chicken meat production is expected to be 47,000 MT in 2018, unchanged from 2017 estimates. However, UAE poultry producers anticipate 2019 volumes to reach 49,000 MT, a four percent increase from the previous year. This expected increase will be a result of a newly renovated and expanded capacity of an existing poultry operation in the Emirate of Abu Dhabi.

Almost all chicken meat produced in United Arab Emirates is broiler with less than one percent of total production coming in the form of spent hens. Based on market demand, spent hens are either culled, sold live at a reduced price within the country's domestic bird markets, or are sometimes used for further processing. UAE local Municipality inspectors impose strict rules and procedures for all live poultry sold within the country's open markets to ensure freedom of diseases and limit the potential for outbreaks.

Although the number of domestic chicken farms has increased over the last five years, factors such as high input costs, animal disease, and strong price competition from imports limit the expansion of UAE chicken production. Four Emirati companies account for 50 percent of the total broilers produced in the country, the largest, Al Rawda being responsible for over 23 percent of total domestic production. Based on industry surveys, there are approximately 22 poultry farms operating in the UAE. Some backyard poultry operations exist throughout the country and will occasionally provide fresh product to the market during periods of high demand.

Factors Affecting UAE Poultry Production:

Animal Disease: In 2018 there were no official reports of avian disease outbreaks in the UAE poultry flock. However, UAE chicken producers often face challenges related to the control of animal diseases like avian influenza (AI) and infectious bronchitis. Migratory birds and wild animals contribute to the spread of disease throughout farms in the region. Additionally, vaccinations needed to control animal diseases are often in high demand and not always available to UAE producers. Annual overall mortality rates are estimated at 5-7 percent of total production. Controlling the spread of animal diseases will continue to challenge UAE chicken producers and constrain output for the foreseeable future.

Government Support: The UAE federal government does not provide subsidies or direct financial support to the UAE poultry industry. As a result, domestic producers face strong competition from government-backed Saudi Arabia and Oman producers. UAE retailers are lured to contract fresh poultry supplies from Oman due to lower prices. Although the UAE federal government does not provide subsidies, the Emirate of Abu Dhabi gives domestic poultry producers a direct subsidy equal to approximately 20-25 percent of the value of select feed purchases.

Seasonal Variation: Domestically produced poultry is generally marketed in the UAE as fresh or chilled. During summer months when tourism slows and UAE families travel outside the country, reduced consumer demand forces producers to freeze a sizeable portion of their inventory. On average, UAE poultry producers freeze around 10 percent of their fresh product beginning in May and then sell it as frozen the following fall season. Further processing of locally produced chicken is limited to chicken franks and chicken parts, particularly breasts and drumsticks. Small quantities of locally produced chicken franks are exported to neighboring GCC countries.

Production Method: By law, all locally produced chicken must comply with Halal slaughter requirements. Because hand slaughtering is the most common practice in the UAE and stunning is prohibited, many birds are left with broken wings, legs, or other injuries during the process. As a result, the grading quality and value of the birds suffer. Local industry reports nearly 15 percent of domestic production is subject to quality downgrades.

UAE Poultry Production Estimates and Conditions: Major poultry operations are generally fully integrated and include on-farm slaughtering facilities. The average rate of weight gain per bird is reported at 0.04 kilograms (kg) per day. Live chickens are generally slaughtered once reaching 1.3 kg. The feed conversion rate is reported at approximately 1.5 kg of feed per 1 kg of chicken meat, although this rate varies depending on farm management practices and animal breed.

Distribution Channels: For the most part, poultry companies in the UAE are well-managed and staffed with knowledgeable sales representatives. Large domestic producers are capable of distributing products directly to retailers or possess their own retail outlets. Both importers and domestic poultry producers are equipped with excellent cold storage warehouse facilities and refrigerated trucks for distribution. Major UAE retail outlets operate state-of-the-art supermarkets and hypermarkets and focus on customer service to ensure their products are effectively presented to the consumer.

Consumption:

Chicken meat consumption is expected to remain stable in 2018 with minor growth in 2019.

The implementation of a value-added tax (VAT) earlier this year has weakened domestic consumer spending in 2018. As a result, poultry consumption is expected to decline to 455,000 MT in 2018, a decrease of approximately two percent from 2017 volumes.

Although the UAE economy has faced slower growth in 2018, the chicken market is expected to rebound by mid-2019. To stimulate growth, the UAE government has announced financial incentive packages and new rules to further entice businesses and investors into the market. Approaches such as 100 percent foreign ownership in companies and long-term residence visas for selected employment categories have been introduced within the last year. Additionally, tourism and labor sector are expected to grow significantly with the approaching World Expo 2020 to be held in Dubai. Consumption is expected to increase slightly to 464,000 MT by 2019.

Tourism: The UAE remains a popular tourist destination worldwide and the top destination in the Arab world. To maintain this status, the UAE is in a perpetual state of development to strengthen its tourism sector and increase Gross Domestic Production. Under these conditions, the hotel and restaurant sectors are expected to increase capacity to meet the growing demand. According to Dubai Tourism, “Dubai is on track to achieve its target of attracting 20 million tourists by 2020.” Dubai’s main airport is among the busiest in the world based on international passenger traffic and a central transit hub that links the Gulf region with much of the world. The UAE projects the number of tourists visiting the country to grow by 5.7 percent annually over the next three years.

Labor Sector: Further reinforcing an already rapid rate of development, the UAE will host the World Expo in 2020, requiring additional infrastructure investment. According to industry estimates, over 200,000 new jobs are expected to be created within the next three years to support infrastructure and service sector growth. Also, to satisfy the overall growing demand, large increases in imports across a range of industries will be required, including agricultural and related products.

Consumer Preferences: Chicken meat is the preferred source of protein across all consumer income levels in the UAE. Household consumers generally prefer whole birds that are small in size (between 0.8 to 1.3 kg). Consumption of boneless chicken is growing and is increasingly used in many cuisines. Whole bird grillers are in high demand from both the hotel and retail sectors. Trade sources state that nearly 60 percent of all imported poultry is used by the food service sector. Additionally, the relatively low price of leg quarters makes them popular with catering companies that service the massive manual labor sector.

Generally, locally produced chicken is consumed by UAE nationals with large disposable incomes or by Muslims who feel more assured that the bird was slaughtered according to Halal requirements.

Major food outlets sell both domestic and imported poultry, while smaller grocers focus on selling imported product. Most imported poultry that enters the country is sold frozen, with whole-bird sizes ranging between 0.9 to 1.5 kg. Birds weighing between 1 to 1.2 kg represent 65 percent of retail sales, while the remaining 35 percent consists of birds ranging between 1.3 to 1.5 kg. The retail price of frozen whole chickens ranges between \$2.00 to \$2.70 U.S. dollars (USD) per kg, depending on the brand, while fresh chicken retails between \$3.80 to \$4.90 USD/kg.

Brazilian poultry is extremely popular in the UAE as it is perceived as high-quality and is competitively priced; it represents approximately 72 percent of all poultry imports by volume. Currently, cost & freight (C&F) prices of Brazilian whole-bird grillers are around \$1,550 USD/MT, with leg quarters ranging between \$1,100 and \$1,300 USD/MT. Leg quarters from the United States also have a large presence in the UAE because of their relatively low price point. The average size of leg quarters imported from the United States is between .45 to .65 kg, and is currently sold at about \$700/MT to \$900/MT on a C&F basis.

Trade: **Imports**

While last year's concerns of approved Halal certifiers available for the UAE have eased, 2018 chicken meat imports are still expected to fall to 408,000 MT, almost two percent lower than 2017 volumes. Contributing factors in this drop include slower economic growth, introduction of a five percent value added tax (VAT), diminished financial liquidity in the market, and an absence of UAE-based chicken commodity traders.

In January 2018, the UAE implemented a VAT at the rate of five percent on goods and services in the country. This new tax has been a significant challenge for many businesses in the UAE, particularly for those with small profit margins or customarily operate under long-term payment contracts. Businesses with limited cash-flow report difficulties in their ability to pay five percent out-of-pocket, especially in circumstances where their customers have 90 or 120-day payment terms.

Typically the UAE chicken market is comprised of importers, distributors, retailers, and small-scale commodity traders moving product based on projected demand and price speculation. This conventional UAE business structure changed in 2018 with a number of chicken commodity traders reluctant to make purchases without a prospective customer waiting in the wings. A glut of trading companies unable to turn profits or find clients in a tightening UAE economy coupled with difficulties in poultry trade with neighboring GCC countries has the UAE chicken market to major importers, distributors with guaranteed contracts, and retailers.

Available trade data for the first six months of 2018 indicate total chicken meat imports at approximately 197,000 MT, an eight percent decline compared to the same period in 2017. Brazil and the United States continue to dominate the share of the market, supplying 72 percent and 14 percent, respectively. In the first half of 2018, Brazil chicken exports to the UAE declined two percent as the "weak flesh" scandal and subsequent shake to consumer confidence lingers in the UAE. In the absence of chicken commodity trading, U.S. exports declined by a marked 25 percent market to 27,000 MT of chicken meat, predominantly leg quarters. While comparatively smaller in total volume, chicken exports from Turkey increased by approximately 50 percent to 9,000 MT. The UAE maintains a diversified number of trade partners with chicken meat supplies originating from the EU, Ukraine, Turkey, Argentina, Russia, among others.

By 2019, chicken meat imports from all sources is forecast to rise modestly to 415,000 MT as the UAE ramps up preparations for World Expo 2020. As the event draws near, construction projects requiring completion will necessitate additional labor force into the country. This slight uptick in consumption will increase the import demand for chicken leg quarters specifically.

Stocks:

The UAE does not maintain significant quantities of broiler meat in stocks and consumes the total amount of supply that is available annually.

Exporting Country	United Arab Emirates Broiler Meat Imports by Volume and Market Share			
	Jan-June 2017	Market Share	Jan-June 2018	Market Share
Brazil	145	70%	142	72%
United States	36	17%	27	14%
Ukraine	8	4%	7	3%
Turkey	6	2%	9	5%
EU	5	2%	7	4%

Others	13	5%	5	2%
Total	213	100%	197	100%

Source: Global Trade Atlas

*Quantity in 1,000 MT

Production, Supply and Demand Data Statistics:

Meat, Chicken	2017	2018	2019
Market Begin Year	Jan 2017	Jan 2018	Jan 2019
United Arab Emirates	New Post	New Post	New Post
Inventory (Reference)	0	0	0
Slaughter (Reference)	0	0	0
Beginning Stocks	0	0	0
Production	47	47	49
Total Imports	417	408	415
Total Supply	464	455	464
Total Exports	0	0	0
Human Consumption	464	455	464
Other Use, Losses	0	0	0
Total Dom. Consumption	464	455	464
Total Use	464	455	464
Ending Stocks	0	0	0
Total Distribution	464	455	464
(MIL HEAD) ,(1000 MT)			

Notes: Not official USDA data