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GAIN Report

Global Agricultural Information Network

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United Arab Emirates (UAE)

Poultry and Products Annual

2017

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Report Highlights:

A lack of UAE approved halal certifiers in major poultry producing countries will force a 10 to 15 percent reduction in broiler meat imports in 2017. As a result of these new requirements, no U.S. poultry suppliers have been able to export to the UAE since June 1, 2017. UAE domestic broiler production is expected to rise slightly in 2017 but will fail to offset decreased import volumes needed to satisfy UAE consumer demand. Without a prompt resolution of the issue, potential supply shortages and price hikes are expected during the fourth quarter of 2017.

Executive Summary:

A series of factors including Avian Influenza (AI), a food safety scandal in Brazil, and most notably, new halal certification requirements have caused serious challenges for the broiler meat trade in the UAE. As a result, 2017 UAE broiler meat imports are expected to drop significantly from initial Post estimates and will total approximately 372,000 (MT) by the end of the 2017 calendar year.

Post forecasts 2018 imports at 382,000 MT. Provided there is a return to normal trade conditions in 2018, UAE broiler imports are forecast to rebound and steadily rise over the next three years due to strong growth in the tourism and labor sectors.

The UAE's total broiler meat production is expected to reach 47,000 MT in 2017, a two percent increase from 2016. This increase was driven by the opening of a new poultry facility and expansion in existing farms. Major UAE poultry producers anticipate 2018 production to remain comparable to 2017 volume as no new UAE facilities are scheduled to come online.

Local production accounts for approximately 11 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 broiler meat to UAE with approximately 70 percent market share.

Commodities:

Poultry, Meat, Broiler

Production:

The UAE's total broiler meat production is expected to reach 47,000 MT in 2017, a two percent increase from the previous year. This increase was driven by a new poultry farm coming into operation and expanded capacity within existing facilities. Major UAE poultry producers anticipate 2018 production volumes to remain the same as 2017 estimates.

Although the number of domestic poultry farms has increased over the last five years, factors such as high feed costs, animal disease, and strong price competition from imports have limited the expansion of domestic production. Some poultry operations now buy live chickens from small backyard poultry growers to satisfy growing consumer demand [for fresh product]. Four Emirati companies account for 50 percent of broilers produced in the country, while the largest, Al Rawda, is responsible for over 23 percent of total domestic production.

Current Factors Affecting UAE Poultry Production:

Animal Disease: Again in 2017, UAE chicken producers faced challenges related to the control of animal diseases like low pathogenic avian influenza (AI) and infectious bronchitis. Migratory birds and wild animals also contribute to the spread of disease throughout farms in the region. Overall mortality rates are estimated to average around 10 percent of production, although some farms report losses as high as 25 percent.

Small-scale backyard poultry production exists in the UAE, although UAE authorities have imposed strict regulations and monitoring of these types of operations ever since bird flu was detected in the country a decade ago. 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 financial support to the UAE poultry industry, so domestic producers face fierce competition from Saudi Arabian and Omani producers who receive governmental support. Competition from regional suppliers has negatively impacted the profitability of many local producers as several UAE retailers opt 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 25-30 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 many producers to freeze a sizeable portion of their inventory despite the lower prices frozen product will receive in the market. On average, UAE poultry producers will freeze between 10 to 20 percent of their fresh product beginning in May and then sell it as frozen the following fall season.

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 not permitted, 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.

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.

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.

UAE poultry companies report a modest expansion in production capacity in 2017 with no additional projects scheduled for 2018. Based on major producer estimates, there are 22 poultry farms operating in the UAE.

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 the 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 retailers operate state-of-the-art supermarkets and hypermarkets and focus on customer service to ensure their products are effectively presented to the consumer.

Consumption:

While there remains strong consumer demand for poultry meat in the UAE, a range of factors have limited the supply of product that is permitted for import. This includes a ban on poultry meat from numerous European countries due to an outbreak of AI across the European Union (EU), a meat scandal in Brazil in which several companies were accused of irregularities in meat inspections, and a global shortage of UAE-accredited Halal certifiers. As a result, poultry consumption is expected to decline to 419,000 MT in 2017, a decrease of approximately 10 percent from 2016 volumes.

Looking ahead, a combination of healthy economic growth, increased tourism and airport arrivals, and a further influx of foreign workers are expected to reinforce consumer demand within the Hotel, Restaurants, and Institutional (HRI) sector. Assuming a return to normal trade patterns, consumption is expected to rise to 429,000 MT in 2018.

Tourism: The UAE is now a top-10 tourist destination worldwide and the most popular destination in the Arab world. Dubai's main airport, now the busiest in the world based on international passenger traffic, is a key transit hub linking Europe, Asia, Africa, and the Middle East. The UAE anticipates the number of tourists visiting the country will grow by 5.7 percent annually between 2012 and 2020.

Under these conditions, the hotel and restaurant sectors are expected to further increase capacity to meet this growing demand.

Labor Sector: Further reinforcing an already rapid rate of development, the UAE will host the World Expo in 2020, requiring even more infrastructure investment. According to the Government of Dubai, nearly 500,000 new jobs are expected to be created over the next four years to support infrastructure and service sector growth. 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 Chinese, Japanese, Iranian, and other local 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 70 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 \$900/MT on a C&F basis.

Trade:

Imports

In 2017, poultry imports are estimated to be 372,000 MT, almost 10 percent lower than last year. The two primary issues attributed to this reduction in imports are as follows:

1. **Halal Certification Requirements:** In May 2017, the UAE Ministry of Climate Change and Environment transitioned its supervision of halal certification to the Emirates Authority for Standardization and Metrology (ESMA). As a part of this transition, all existing halal certifiers were required to complete a lengthy re-accreditation process to continue certifying halal products destined to the UAE. Furthermore, the UAE now requires all poultry producers to adhere to a Gulf Standards Organization (GSO) halal standard that prohibits the use of stunning poultry prior to slaughter. Stunning is a widely accepted industry practice and utilized by a majority of meat and poultry producers throughout the world, including the United States. Currently, only one U.S. halal organization is authorized by the UAE to certify poultry that has been slaughtered without stunning. Consequently, U.S. poultry suppliers have been unable to export their products to the UAE since June 1, 2017.
2. **Brazil Meat Scandal:** In March 2017, UAE halted beef and poultry imports from some Brazilian companies over concerns about food. UAE identified BRF S.A., the world's biggest poultry exporter, as one of the affected companies. Importers were instructed to immediately withdraw the products and destroy them if necessary or return them to the country of origin under the supervision of the food safety authorities in each UAE Emirate.

Available trade data for the first six months of 2017 indicate total broiler meat imports stand at approximately 209,000 MT, a four percent decline from the same period in 2016. Brazil and the United States continue to hold a dominant share of the market, supplying 70 percent and 17 percent,

respectively. Brazilian poultry exports to the UAE declined by nine percent as a scandal involving the bribery of government food safety inspection officials came to light; Brazil's market share declined by four percent as a result. U.S. broiler exports declined by two percent, yet its share of the market remained unchanged. While comparatively smaller, poultry exports from the European Union declined by approximately 37 percent due to an AI outbreak and subsequent import restrictions from UAE authorities. The UAE increasingly sources poultry from new providers like Ukraine, Turkey, and Argentina, although import quantities from these countries remain limited. Poultry imports from all sources are expected to decline even further as a global shortage of accredited Halal certifiers constrains the supply of poultry eligible for import. Assuming a resolution regarding halal certification will be reached before 2018, Post forecasts imports to reach 382,000 MT.

Exporting Country	United Arab Emirates Broiler Meat Imports by Volume and Market Share			
	Jan-June 2016	Market Share	Jan-June 2017	Market Share
Brazil	159	74%	145	70%
United States	36	17%	35	17%
Ukraine	3	2%	8	4%
Turkey	3	1%	6	2%
EU	8	3%	5	2%
Others	8	3%	10	5%
Total	217	100%	209	100%

Source: Global Trade Atlas

*Quantity in 1,000 MT

Stocks:

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

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler	2016		2017		2018	
	Market Begin Year		Market Begin Year		Market Begin Year	
United Arab Emirates	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory	0	0	0	0	0	0

(Reference)						
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	46	46	47	47	0	47
Total Imports	296	417	315	372	0	382
Total Supply	342	463	362	419	0	429
Total Exports	0	0	0	0	0	0
Human Consumption	342	463	362	419	0	429
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	342	463	362	419	0	429
Total Use	342	463	362	419	0	429
Ending Stocks	0	0	0	0	0	0
Total Distribution	342	463	362	419	0	429
(MIL HEAD) ,(1000 MT)						