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Report Highlights:

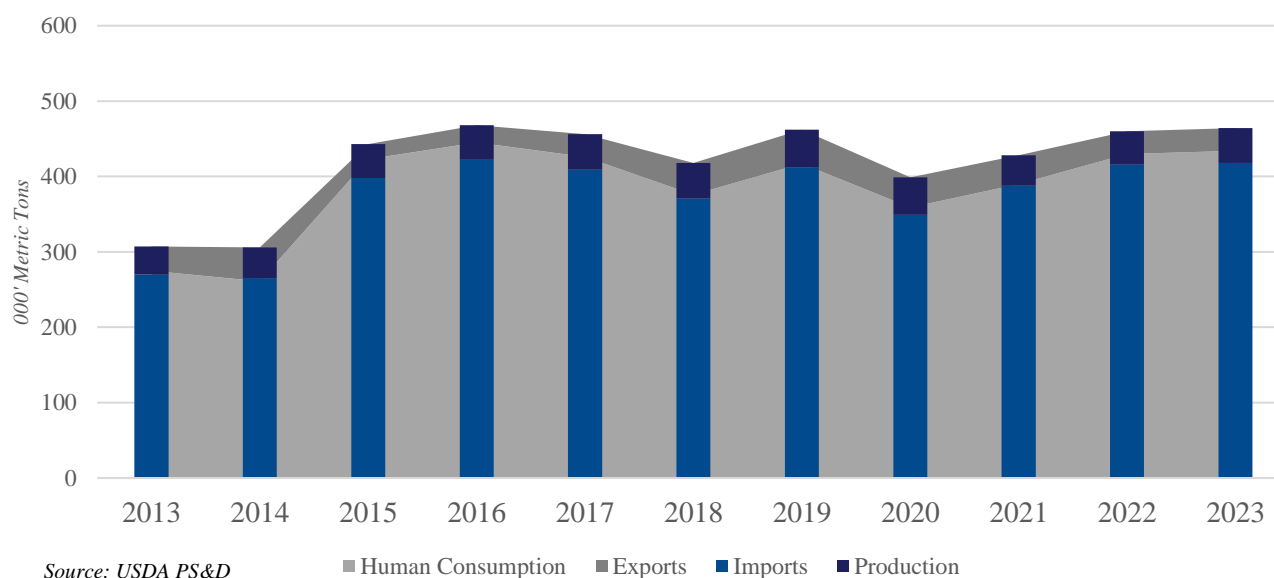
Imports of chicken meat and products in 2023 are forecast to increase to 418,000 metric tons as the UAE's expanding economy, population, and concomitant building boom fuel higher demand and thus consumption. Transshipments or reexports are playing a growing role in the Arabian Gulf poultry trade and have risen by 74 percent over the last four years. Sustained higher input costs have curbed UAE domestic poultry production and reduced flock sizes, with both higher grain prices and the cost of fertilized eggs being two significant drivers. While UAE production is forecast to slowly recover over the next two years, it will continue to face difficulties so long as price caps prevent the passing of higher costs onto consumers. Imports of frozen poultry will therefore fill the gap as consumers substitute for lower-cost imported products.

EXECUTIVE SUMMARY

- 2021 UAE poultry production is adjusted downward to 40,000 metric tons before it will slowly recover to 46,000 metric tons in 2023 due to sustained higher input costs.
- Consumption is forecast to remain strong at 418,000 metric tons in 2023 as the UAE economy continues to expand, the population grows, and demand for chicken meat increases.
- Imports in 2023 are forecast to increase to 418,000 metric tons as the UAE's expanding economy, population, and concomitant building boom fuel increased demand for chicken meat. Of note, imports have been adjusted down throughout the time series by removing reexports, an increasing part of the UAE's poultry trade.
- UAE exports are forecast to remain flat at 30,000 metric tons in 2022 and 2023 as input costs halt planned flock size increases and foreign competition from imported frozen product remains robust.

UAE Chicken Meat Production, Supply, & Distribution

Figure 1



Questions about this report?

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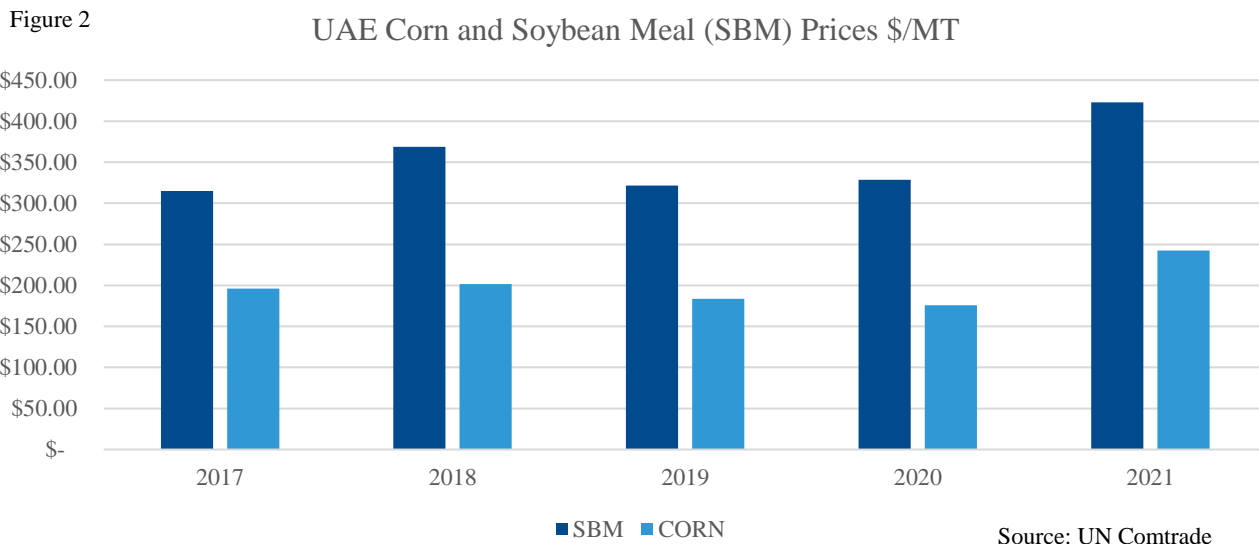
PRODUCTION

The United Arab Emirates' (UAE's) poultry production is being dramatically challenged by sustained high input costs and price controls that have opened the market to significant competition and hindered ambitions to expand UAE production. Post forecasts UAE poultry production to be lower at 44,000 metric tons in 2022 before recovering to 46,000 metric tons in 2023. Post has also adjusted down 2021 production to 40,000 metric tons due to high input costs curbing previously announced increases in flock size.

Most forms of agriculture are difficult and costly in the United Arab Emirates due to limited arable land and nominal rainfall. Because environmental constraints inhibit row cropping, the UAE is almost 100 percent dependent upon grain, forage, and feed imports to sustain nearly all livestock production. The country's limited agriculture is concentrated in the Emirate of Abu Dhabi, where most poultry production takes place.

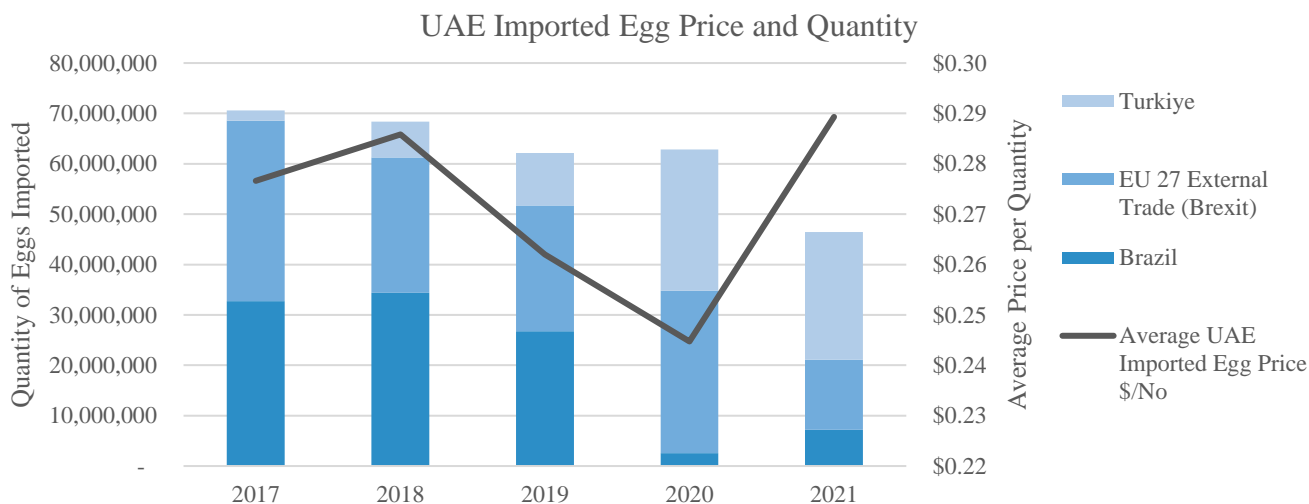
Sustained Higher Input Costs Reduce Flock Size

The prices of imported corn and soybean meal to the UAE have risen by an average of 24 percent from 2020 to 2021 (Figure 2). Over the last three years, the UAE imported roughly 19 percent of its corn from Ukraine, so its invasion by Russia in 2022 has compounded an already difficult supply situation, both increasing prices and disrupting the convenient and nearby Black Sea supply.



The cost of other major inputs like fertilized eggs have also increased. Disease pressure in major origins and the global impact of waves of the Eurasian strain of Highly Pathogenic Avian Influenza (HPAI) have led to a 7.73 percent increase in imported egg prices from 2020 to 2021 (Figure 3). In 2021, Turkiye was the UAE's largest origin of fertilized eggs at 55 percent market share, with the EU second at 30 percent, and Brazil third at 14 percent, the remaining 1 percent is from other origins. Data available as of August 2022 indicates prices remain sticky and local producers report continued difficulty sourcing imported fertilized eggs. UAE producers rely upon imported fertilized eggs to keep flock sizes stable and cost increases will further impact production to the downside.

Figure 3



Source: Trade Data Monitor, LLC

Recognizing that higher input costs are constraining the UAE’s stated goal of producing 30 percent of its food domestically by 2030, the UAE government has moved to raise the price ceiling on fresh poultry. However, price caps have been unable to keep up with soaring input costs and constrained the ability of UAE chicken producers to pass along cost increases to consumers. The discrepancy between the cost of UAE produced fresh poultry and imported chicken meat has led to a surge of imported product and increased competition from nearby origins with more robust subsidized production. Post forecasts higher input costs and price caps will lead to industry consolidation, causing smaller UAE producers and backyard flocks to exit the market.

CONSUMPTION

Post forecasts UAE poultry consumption to rise to 430,000 metric tons in 2022 driven by higher oil rents, robust travel, and a booming retail foods sector.

An Oil, Infrastructure, and HRI Boom

According to U.S. Commerce Department data, 30 percent of the UAE’s GDP is directly based on the oil and gas industry. Oil and gas prices over the last year have soared and are projected to maintain if not go higher. The UAE has successfully diversified its economy over the past 10-years but like many former rentier states, high global oil prices have buoyed government coffers and led to greater investments in transportation and infrastructure. The UAE has several major projects underway including a double-decker expansion of parts of the major highway, Sheikh Zayed road, a 295-meter bridge across the Shindagha Corridor, and a new rail network connecting the Emirates to surrounding Arab Gulf countries. The rail project alone is forecast to require tens of thousands of new workers and boost demand for low-cost sources of animal protein.

The UAE property and business sectors have benefited from the war in Ukraine by drawing Russian tourists and investors that have difficulty getting into and doing business with the EU. The UAE is expected to attract over 4,000 new millionaire residents this year, more than any other country according to Economist reporting. The property sector in the UAE is booming as result of an influx of new money.

Russians bought more than twice as many homes in Dubai in the first half of 2022 as they did in the whole of last year. These homes are being built and finished by a growing labor pool fed with low-cost chicken meat. The expanding UAE economy, population, and concomitant building boom are drawing in more migrant labor, who rely on low-cost chicken meat imports as a daily source of protein.

To accompany a growing population grocery retail sales in the UAE expanded by 7.6 percent in 2021, while e-commerce food and drink grew by an astonishing 25 percent to reach \$515 million and are expected to increase more than 23 percent in 2022 due to further demand. Increasing demand and additional retail business, in combination with supply side factors at export origins, have driven chicken meat prices higher by 14.6 percent in August 2022 compared to the same time last year according to Dubai Chamber of Commerce data. For more information about the robust retail foods landscape please refer to the USDA Office of Agricultural Affairs [United Arab Emirates: Retail Foods](#) report.

TRADE

Post forecasts chicken meat imports to rise to 416,000 metric tons in 2022 on strong demand from both the UAE but also surrounding markets with transshipment and re-export playing an increasingly important role.

Transshipment or Reexports Dominate UAE Trade

Since ancient times the Emirates have always been a hub for global trade with their convenient geographic location connecting Europe, Asia, and Africa. Dhows have crisscrossed the Arabian Gulf for half a millennium, taking with them spices, metals, and food to faraway markets. With modern infrastructure, ports, and airports the UAE remains a global center for trade and reexport of food products continues to grow. Over the last 5-years, the poultry market in the Arabian Gulf has been impacted by these trends like never before, with transshipments via Dubai becoming more common.

A challenging production situation in Iran followed by a change in their domestic food subsidy scheme led to a sharp rise in demand for imported chicken meat. The war in Yemen has likewise heavily disrupted their production of staple food items and led to an increasing need for chicken meat imports. Other nearby markets in the Gulf Cooperation Council (GCC) such as Kuwait, Saudi Arabia, and Oman have a healthy and robust chicken meat trade for frozen products amongst themselves, with smaller companies engaged in arbitrage across these markets. From 2017 to 2021 reexports of chicken meat from the UAE rose by 74 percent (Figure 4 and 5).

Figure 4

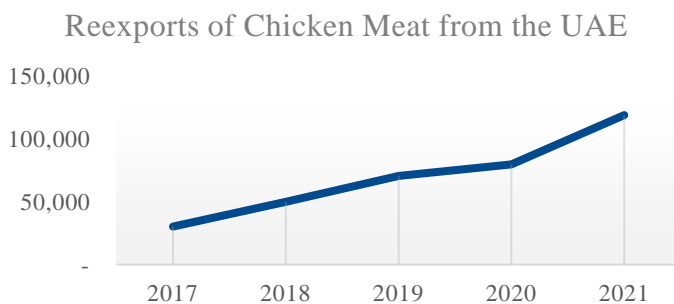
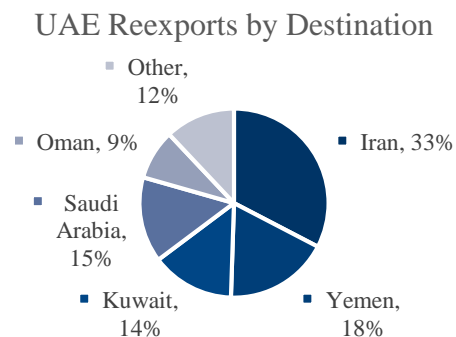


Figure 5



Source Figure 4 and 5: UN Comtrade

According to data available as of August 2022, the UAE’s total imports of chicken meat are expected to be record shattering near 700 thousand metric tons if they remain at trend. Almost 20 percent or more of these imports are not destined for the UAE market, with its smaller consumptive base, but will be transshipped to other nearby destinations such as Yemen, Iran, or other GCC markets. Based on UN Comtrade data, Post has adjusted historical imports accordingly, removing reexports from 2021 data and moving downward 2022 and 2023 forecasts by anticipated reexport amounts.

Main Suppliers Greatly Increase Exports to the UAE

UAE production issues coupled with strong internal and nearby country demand have caused a rise in exports from all major origins. Brazil, the United States, Ukraine, Turkiye, and the EU have all had noticeably higher exports to the UAE in 2021 and 2022. These higher exports come despite elevated prices and disrupted production due to outbreaks of the Eurasian strain of Highly Pathogenic Avian Influenza (HPAI) in the United States and some EU countries.

Due to preferred pack sizes and price advantages, Brazil continues to dominate the UAE market at over 75 percent market share (Table 1). The United States and the EU have slightly increased market share primarily at the cost of other origins, which have decreased significantly in 2021 and 2022. Of interest, Ukraine has continued to export chicken meat to the UAE post Russia’s invasion and has increased its total quantity of exports.

Table 1

Exporting Country	Poultry and Product Exports to the UAE				
	by Volume in Metric Tons and Market Share				
	Jan-June 2021	Market Share	Jan-June 2022	Market Share	YoY Percentage Change in Quantity
Brazil	147,321	71%	244,475	77%	40%
United States	23,595	11%	37,439	12%	37%
Ukraine	10,044	5%	14,451	5%	30%
Saudi Arabia	8,460	4%	8,545	3%	1%
Turkey	4,192	2%	6,826	2%	39%
EU 27 (Brexit)	3,015	1%	6,025	2%	50%
Bahrain	6,872	3%	38	0%	-17984%
Russia	1,385	1%	Unavailable	0%	Unavailable
Others	2,288	1%	1,747	1%	-31%
Total	207,172	100%	319,546	100%	35%

Source: Trade Data Monitor, LLC

UAE Exports Fall on Production Woes

Post forecasts UAE exports of chicken meat to decrease to 30,000 metric tons in 2022 and 2023. Continued high input costs and increasing competition from imports has curbed the competitiveness of the UAE's fresh poultry sector. While the price gap between imported and frozen chicken meat has largely maintained due to UAE government price caps, the available supply of frozen chicken meat has decreased. Notably, exports from Saudi Arabia have not increased in 2022, and exports from Bahrain have fallen dramatically, as both countries also struggle with higher feed costs (both are nearly 100 percent dependent on imported feed and other inputs). Most of the competition against the fresh segment is now coming from consumers replacing fresh poultry with lower-cost frozen imported products. 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 then slightly processed products.

Attachments:

No Attachments