

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## United Arab Emirates

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### **U.S. Hay Exports to the UAE on the rise**

**Report Categories:**

Market Development Reports

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**Report Highlights:**

The rapidly expanding UAE market presents tremendous opportunities for U.S. hay exporters. In 2012, UAE is expected to import at least 1.5 million metric tons of hay compared to 600,000 MT in 2006. In value, U.S. hay exports to the UAE grew from \$8 million in 2006 to \$171 million in 2011, with exports for 2012 expected to surpass the 2011 level.

## **Executive Summary:**

2006 was a historic year for the U.S. hay industry when the Government of Abu Dhabi (GOAD), decided to ban growing alfalfa and other animal feed grass to conserve the underground water reserves. This decision paved the way for the government to enter the hay market in full speed to compete with major world importers such as Japan, Korea and China. To augment the shortfall in local production, the government awarded 600,000 MT of hay to importers to be sourced globally. Ever since, importation of hay has been growing. In 2012, GOAD plans to import a total of 1.5 MMT, with expectation to increase the amount to 1.7 MMT in 2014; in addition to 200,000 MT of feed concentrates, annually. These imports are only benefit house hold animals within the Abu Dhabi Emirate. GOAD estimates the number of livestock in the UAE at about 3 million animals; including camels, sheep, goats, horses and cows. Commercial dairies and horse breeders are not targeted in this scheme. In any case, the hay required for the commercial farming is usually of higher quality and is estimated at about 250,000 MT/annually.

## **General Information:**

### **Hay Market Development in the UAE:**

Traditionally, the UAE produced part of the hay required for the domestic market, and the balance was imported mainly from Saudi Arabia. Slightly over a decade ago, Saudi Arabia banned hay exports. Consequently, UAE farmers had to grow more alfalfa and other feed grass to fill the void. In 2006 when underground water was critically depleted and reached alarming levels, the Government of Abu Dhabi decided to gradually steer 26,000 farms away from commercial cultivation of alfalfa and feed grass to conserve the underground water reserves. The first quarter of 2012 brought an end to hay grass commercial cultivation in the Emirate of Abu Dhabi. This move was backed by a decision by the GOAD in 2006 to import sufficient quantities of different types of hay and make them available to the Abu Dhabi 18,000 livestock owners at a subsidized price to feed their household animals such as camels, goats, sheep, horses and cows. Abu Dhabi Government officials claimed that through this action, they are able to conserve 86 billion gallon of water annually. Currently, this directive is aimed mainly to support the farmers of Abu Dhabi Emirate only, excluding the commercial dairies operating in the emirate. However, officials have expressed their intention to expand the scheme to benefit farmers in other UAE Emirates.

These developments present good news and windows of opportunities to hay growers and exporters worldwide, particularly in the U.S., Spain, Argentina, and Italy. The first GOAD hay tender was released in 2006 for a quantity of 600,000 MT. The demand grew rapidly to reach 1.0 MMT of hay and 200,000 of feed concentrates in 2011. Additional 500,000 MT of hay was approved by the GOAD for 2012, bringing the total requirement to 1.5 MT of hay and 200,000 MT of feed concentrates. Officials estimate hay requirements to grow to 1.7 MMT in 2014.

### **How This Works:**

The Abu Dhabi Food Control Authority (ADFCA) oversees the implementation of this project. The tendering process underwent several changes over the past few years, mainly to improve the application. At the beginning it was left to the importing companies to decide the type of hay they import, but for the last tender, ADFCA

decided the type and quantities of grass and their specifications. The following table provides more specific information:

Feed Name	Moisture (%) Max.	(% Dry Mater Basis			Total Aflatoxin (ppb) Max.	Total Endophyt (ppb) Max.
		CP (Min.)	ADF (Max.)	NDF (Max.)		
1 Alfalfa Hay	12	16	38	45	10	Free
2 Alfalfa Mix Hay (50 / 50)	12	10	40	45	10	Free
3 Rye Grass Hay	12	6	40	45	10	200
4 Rhodes Grass Hay	12	6	40	45	10	Free
5 Bluegrass Hay	12	8	40	45	10	Free
6 Bermuda Grass Hay	12	6	40	45	10	Free
7 Oat Hay	12	6	40	45	10	Free
8 Klein Grass Hay	12	8	40	45	10	Free
9 Sudan Grass Hay	12	8	40	45	10	Free
10 Teff Grass Hay	12	8	40	45	10	Free
11 Wheat Hay	12	8	40	45	10	Free
12 Barley Hay	12	8	40	45	10	Free
13 Barley Straw (50/50) only	12	8	35	45	10	Free
14 Millet Forage Hay	12	8	40	45	10	Free

Note: 50/50 mean a mandatory 50% alfalfa and another 50% of other Feed approved in the above list only.

ADFCA contracted 2 companies to handle the importation of hay for a period of 4 year at a fixed price. It has also partnered with the 2 companies to acquire agricultural land in different countries to help ensure frequent supplies of hay, also to mitigate price fluctuation. The contracted companies have acquired land in several countries such as the U.S., Egypt, Spain, Pakistan and Sudan. Other countries may be added to the list in the near future. The 2 companies have also partnered with U.S. companies to ensure smooth flow of products to this market. Both companies reported that their U.S. operations are the most efficient as they are able to harvest every 25 days and obtain 10-12 cuts per season. A third company was added to the list of approved hay importers this year and it was allocated a small amount of hay to start with.

**Hay and Food Security:**

The GOAD considers hay tenders as part of its food security plan. Its intention is to always maintain stocks

sufficient for, at least, 3 months, at the rate of 100,000 to 120,000 MT of hay monthly. 14 distribution centers have been built in strategic locations within the Abu Dhabi Emirate to ensure adequate coverage of the emirate. Farmers are issued "Rational Cards" showing the bearer monthly allocation of hay and other feed concentrates.

#### **Hay and Quality:**

Dairy farms usually require hay with 18-22 percent protein. Hay imported for ADFCA is not required to have such high protein contents. Hay with 16 percent protein is acceptable. They also intend to reduce alfalfa imports to a maximum of 1 MMT and allow increasing imports of other hay types, mainly to reduce cost.

ADFCA is working closely with Oregon State University and Zayed University of the UAE to resolve technical issues related to hay imports and consumption.

#### **U.S. Hay Exports to the UAE and Competition:**

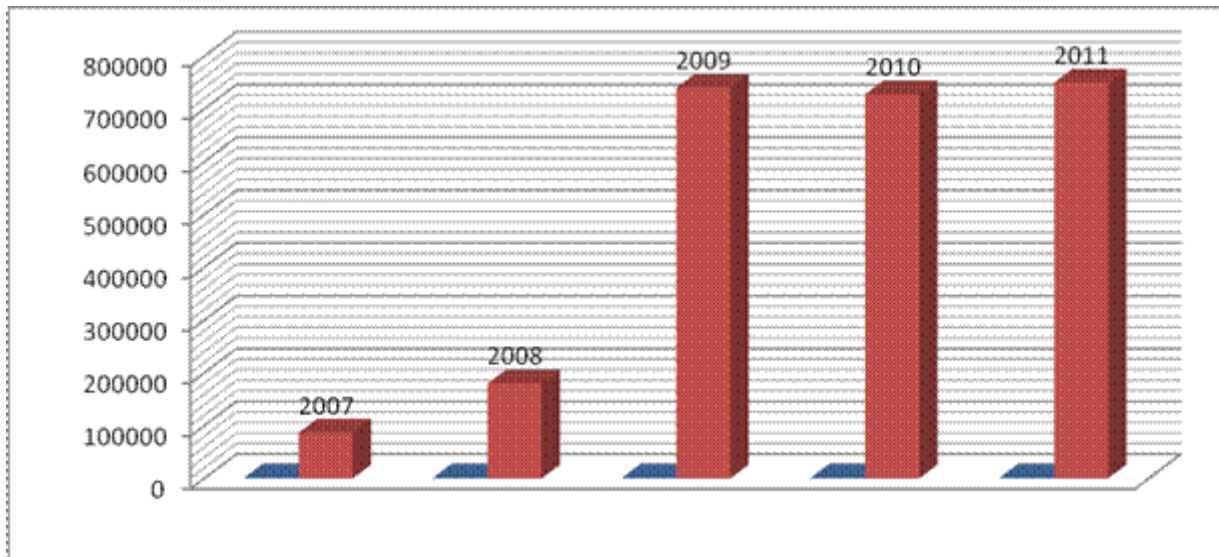
U.S. hay exports to the UAE grew by 300 percent, from 55,000 MT in 2007 to 151,000 MT in 2008. Yet, this increase was modest compared to the record export of 705,000 MT in 2009. Volume of exports in 2010 dropped slightly by 7 percent to 677,000 MT, and remained at that level in 2011. Export Values on the other hand have risen continuously from \$162.3 million in 2009, to \$ 165.8 in 2010 and \$ 170.8 in 2010 and 2011, respectively.

On FOB basis, U.S. hay prices would compete with hay from Spain, Italy and Egypt. However, proximity to market is an advantage for hay imported from Spain, Egypt, Pakistan and Italy. Importers state that it takes Spanish and Italian hay only 2 weeks to arrive to in the UAE, while it takes U.S. hay at least 4 weeks to reach the UAE. The higher freight cost makes U.S. hay relatively more expensive. Nevertheless, UAE hay importers state that sustainability is, by far, higher for U.S. hay, which makes it more attractive and thus in greater demand by many of the importers.

#### **U.S. Hay Exports to the GCC:**

Among the GCC-5 countries covered by OAA Dubai (Bahrain, Kuwait, Oman, Qatar and the UAE), the UAE is, by far, the largest hay market. Oman is a producer of hay and is one of the exporters to the UAE. Qatar and Kuwait are growing markets and Bahrain is the smallest. It is very difficult at this stage, in the absence of recent government trade data, to determine the market size in each country.

The following chart shows the growth of U.S. hay exports to the GCC countries which grew from 86,000 MT in 2006 to 750,000 MT in 2011. The UAE has the lion share (90 percent) of the total U.S. exports to GCC. Exports to the GCC countries represent about 4 percent of the total U.S. hay exports to the world.



**Competition:**

The U.S. faces fierce competition from Spain, Egypt and Italy. Spain hay exports are subsidized by the Spanish Government. Proximity is also a major advantage for these countries since their products reach the GCC countries in almost 2 weeks, almost 50 percent of the shipping time from any of the U.S. ports to the Arabian Gulf.

Nevertheless, UAE hay importers are very pleased with the quality of U.S. hay. Those who are growing hay in the U.S., Spain and Egypt are very pleased with the results of their investment in the U.S. They stressed the fact that they are able to make 10-12 harvest cuts in the U.S., compared to 5-6 in Spain.

**Opportunities for U.S. hay exporters:**

The GCC, in general, and the UAE in particular, present an excellent opportunity for U.S. hay exports. The water shortage in the GCC is expected to negatively affect future plans to locally grow food and feed in the region. Thus, U.S. companies are encouraged to work closely with hay importers in the UAE and other GCC countries. Personal contact and trust remain the basis for establishing good business relations in the Middle East.