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## Kuwait

### Poultry and Products

### Annual Poultry Meat Report

### 2006

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**Report Highlights:**

In 2007, Kuwait's broiler production is projected at 35,000 metric tons. Imports of frozen chicken are forecast at 95,000 MT for 2006 due to slower re-exports to Iraq, Kuwait's main re-export market. Imports in 2007 are expected to bounce back to 145,000 MT. Brazil will continue to be the principal whole chicken and part supplier to Kuwait.

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Includes PSD Changes: Yes  
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## Executive Summary

**Note: "Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psd>".**

Kuwait's broiler meat production in CY 2007 is expected to remain at the 35,000 metric ton (MT) level. Lingering concerns about the effects of avian influenza (AI) findings in exporting countries on consumer demand have prompted local producers to shy away from any substantial expansion plans.

Poultry consumption has rebounded after declining in response to AI concerns among consumers and is expected to increase modestly during both 2006 and 2007. Consumers have become better educated about the effects of AI.

Poultry imports are expected to increase significantly to 145,000 MT during 2007 as re-exports to Iraq resume following the lifting of Iraq's AI import ban. About half of total imports are consumed in Kuwait. Brazil continues to be the dominant supplier.

## Production

In CY 2007, Kuwait's broiler meat production is expected to remain at 35,000 metric tons (MT) in response to anticipated tepid poultry demand as a result of AI concerns among consumers, particularly those consumers who are most likely to consume locally produced poultry. Two major producers account for 75 percent of local production, a third, smaller producer accounts for another 15 percent, with five to six small farms accounting for the balance. An estimated 40 to 60 percent of the production is sold live with nearly all remaining poultry marketed as frozen or chilled whole birds. Only one percent of production goes for further processing. Demand for live chickens is declining due mainly to the convenience of frozen or chilled birds and health concerns. Mortality runs at 8-10 percent annually. Harsh climatic conditions are the principal cause of high mortality, but rates would likely decline with enhanced veterinary oversight.

Local broiler production does not compete directly with imported broilers. Local whole frozen chicken retails at prices about 50-60 percent higher than imported frozen chicken, while chilled local chicken retails at more than double the price of imported frozen chicken. Price differences are driven by high production costs, as most inputs must be imported. One of the two major poultry operations produces 1.5-2.0 million quails annually, marketed mostly as chilled. Finally, one smaller farm produces about 100,000 ducks annually, marketed mostly as live, and to lesser extent, as chilled. Production operations are disbursed across the country with no concentration of farms in one single area.

Major farms prepare their own feed from imported ingredients. Corn is imported by the government-owned Kuwait Flour Mills Company and is sold to farmers at a subsidized price. Other ingredients, such as soybean meal, concentrates and pre-mixes, are imported by private companies and sold to poultry farms at market rates. The use of growth hormones is not permitted. The feed conversion rate runs at about 2 to 1 as most farms, but falls to 1.8 to 1 on well-managed farms. Birds are usually slaughtered after 35 days weighing 1.3 kg, on average. Dressed weight is typically about 900 gms, on average.

All major farms run modern well-equipped operations and routinely upgrade and expand facilities with the latest technology and equipment. Aside from reduced corn prices, the Government of Kuwait does not provide any direct support to the poultry sector. However, the cost of water and electricity is the cheapest in the Middle East. The largest three farms run their own slaughterhouses while other farms market their production live.

Hatching eggs for broiler production are imported from India and Egypt while hatching eggs and day-old-chicks for layers are imported primarily from Saudi Arabia.

The second largest producer owns and supplies a local started and supplies a local fast food chain.

### **Consumption/Utilization/Stocks**

Kuwaiti consumers, who account for about 50 percent of the population of 2.5 million, prefer locally produced live and/or chilled broilers. The appeal of these birds, despite their high price, is their perceived freshness (locally slaughtered) and compliance with Islamic Halal requirements. Local whole frozen chicken retails at prices about 50-60 percent higher than imported frozen chicken, while chilled local chicken retails at prices more than double imported frozen chicken prices. Foreigners living and working in Kuwait, particularly those with low incomes, consume imported frozen chicken that is usually less expensive than the locally produced. Individually wrapped, oval shaped, and white skinned frozen whole birds in the 800-1,000 gram size range are the ideal shape, color, and size for Kuwaiti consumers. Brazilian, Saudi Arabian, and European whole chickens conform more closely to consumer preferences and enjoy strong local demand. U.S. whole chickens are not available in the Kuwaiti market since they are more expensive than chicken imported from other sources. U.S. chicken parts are used primarily in HRI sector.

The AI scare had a limited and short-term negative impact on chicken sales in Kuwait. Production and consumption have rebounded, but are not expected to increase significantly during CY 2007 due to lingering AI concerns. Generally, chicken meat is more popular than red meats because it is perceived as a healthier meat and costs less. Some small cafeterias and restaurants are starting to utilize leg quarters, which is a positive development for U.S. chicken prospects in the Kuwaiti market.

In 2007 total chicken meat consumption is forecast at about 105,000 metric tons, of which 12,000 metric tons or 11 percent are parts. Imports are estimated to cover about 70 percent of total consumption and the remaining 30 percent will be covered by local production. Per capita chicken meat consumption is forecast at 43 kg. As increasing numbers of Kuwaiti families dine away from home, longer-term prospects for growth in chicken consumption are good.

Retail prices for Brazilian whole chickens, by far the dominant origin in the Kuwaiti market, range from \$2.21-\$2.30/kilogram. Saudi Arabian brands retail at about \$2.60/kilogram, while French brands sell for \$2.00 - \$2.15/kilogram. Kuwaiti origin frozen whole chicken is retailing at \$2.85/kilogram. Consumption is comprised of broilers only. Local spent hens are discarded or recycled in the feed industry as local regulations prohibit such birds from entering the food chain.

Below is a table showing current retail prices for poultry products in Kuwait:

<u>Type</u>	<u>Source</u>	<u>Price\$/Kg</u>
Turkey	Brazil	4.0
Turkey	USA	4.59
Duckling		4.38

#### **Frozen Chicken**

Chicken	S.Arabia	2.12-2.66
"	Brazil	2.09-2.66
"	France	2.17-2.35
"	Kuwait	2.99-3.39
Mini Broil	Kuwait	3.85
Chicken Breast	Brazil	3.02
Chicken Wings	Brazil	2.33
Chicken Thighs	Brazil	2.26-3.02
Half Breast	Brazil	5.02
Drumsticks	S. Arabia	3.00
Chicken Legs	Kuwait	3.23
Chicken Legs	S. Arabia	4.22
Quails	Kuwait	6 pcs=\$4.10

#### **Fresh Chicken**

Chicken whole	Kuwait	4.46
Chicken -mini	Kuwait	5.29
Chicken Wings	Kuwait	3.54
Chicken Breasts	Kuwait	5.29

Boneless parts, normally packed in 1 or 2 kg packages, are popular both with consumers and with restaurants, particularly "Shawarma" sandwich shops, because of their practicality. However, the high cost of this product is an impediment to wider household use.

Kuwait does not have an official stock holding program. Producers and importers prefer to maintain minimal stocks, defined as supply to satisfy one month's market requirements.

#### **Trade/Marketing**

Kuwaiti poultry re-export activities to Iraq suffered a major set back during the first 6 months of 2006 as a result of the AI concerns when the Iraqi Government banned imports of poultry from all origins. Iraq has since resumed poultry imports and poultry re-exports from Kuwait to Iraq are expected to reach 75,000 MT during 2007. Poultry imports for both re-export and domestic consumption are expected to increase 50,000 MT to 145,000 MT in 2007.

Brazil is currently the principal supplier of frozen chicken to Kuwait for both the domestic and re-export markets with an estimated 80 percent market share. Brazil's strong position in the market stems from a number of factors including:

- ❑ The public perception that Brazilian producers adhere more closely to Islamic Halal slaughter procedures than competing suppliers.
- ❑ The reduction in French market share following the detection of H5N1 AI in France.
- ❑ The public boycott of Danish products following the publication of a cartoon in a Danish newspaper.

In the Kuwaiti market, Saudi Arabian suppliers have benefited, albeit to a smaller degree, from these developments despite the 20 percent price difference between its products and those from Brazil. Brazilian suppliers provide competitive prices, attractive packaging and intensive marketing efforts, including print media and TV advertising. Brazilian parts are also popular with local consumers due to their smaller sizes and attractive retail tray packs. Brazilian suppliers have a good reputation for meeting importers' requirements. Imports from China and Thailand were banned from the market following H5N1 AI detections in those countries.

The U.S. is the second largest chicken parts supplier to Kuwait due to its competitively priced leg quarters. In 2006, the United States is expected to export about 15,000 MT of chicken parts to Kuwait; mainly leg quarters for re-export to Iraq. U.S. exports are expected to increase during 2007 given the expectation that re-exports to Iraq will continue.

Brazilian and to a much lesser extent European chicken brands grew in popularity because of their small sizes, competitive prices and aggressive marketing. U.S. whole chicken is not competitive with products imported from Brazil and Saudi Arabia. Brazil and the United States share, albeit unequally, the boned chicken parts market. Currently several U.S. chicken part brands are available in the market.

Brazil replaced China and Thailand in the boneless market when those two countries were banned for on-going avian influenza problems.

Turkey meat, imported mainly from the United States and Brazil, is imported in limited quantities. Turkey consumption remains seasonal and concentrated mostly around the Thanksgiving and Christmas holidays. Duck meat, imported mainly from the United States, France and Canada, is estimated at 80 tons annually.

Both importers and domestic producers of poultry are well equipped with excellent cold storage warehousing facilities and refrigerated trucks for distribution. Both sectors are staffed with well-trained sales staff. Major retailers are constructing state-of-the-art super- and hypermarkets and are focusing on customer service to ensure that their products are ideally presented and marketed to consumers.