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United Arab Emirates

Grain and Feed Annual

Grain and Feed in the UAE

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Report Highlights:

The UAE population has grown on average by 3% over the past decade, estimated around 9.45 million people in 2016. Food consumption in the UAE has been growing at a rate of 12% per year, and the demand for food staples has increased as a result of the population growth, influx of tourists, recovery of the economy, and its prominent position as a re-export hub.

In MY2016/17, the UAE's wheat consumption is forecast to reach 1.03 million metric tons (MMT) of which only 5,258 metric tons (MT) will be imported from the US. The key suppliers of wheat will be Russia, Canada, Australia, Turkey, and India. In MY2016/17, barley imports will increase by 35 percent to reach 754 thousand metric tons (TMT), none from the US. The key suppliers of barley will

be Australia, Argentina, France, and Russia.

In MY 2016/17, rice imports are expected to reach 1.29 MMT, of which the US will supply only 5,590 MT. The key rice suppliers are India, Pakistan, and Thailand.

Executive Summary:

The UAE is one of the most water-scarce countries in the world and faces a crippling shortage of renewable fresh water. Agriculture represents a small share of the UAE's economy, accounting for just 1% of its GDP. Only 6.5 percent of the UAE's land is suitable for farming, and it is difficult to produce economically viable crops in conditions of extreme heat, low rainfall, and barren desert soil. As a result, the UAE remains a major net food importer, and its domestic production of grain is negligible.

Over the past decade, the UAE population has grown on average by 3%, estimated around 9.45 million people in 2016. The UAE population is comprised of approximately 85% expatriates, mainly South Asians, Iranians, and Arabs. South Asians represent 80% of the sales and services labor force in the country. There are fewer, but a significant number of workers from countries such as the UK, South Africa, the US, Canada, France, and Australia who hold mostly office jobs. The population diversity plays a major role in consumption habits. The UAE has to accommodate the various needs of its residents from 130 nations.

Food consumption in the UAE has been growing at a rate of 12% per year and the demand for food staples has increased as a result of the population growth, influx of tourists, recovery of the economy, and its prominent position as a re-export hub.

With limited food production, the UAE depends on imports to meet its food requirements. As a result, any disruption in global food supply or prices is likely to significantly impact its food security, making food security a critical policy issue. As a result, the UAE Government is taking measures to secure and control food supply. The country developed a policy to secure import sources by signing offshore farming contracts. Investment in overseas agriculture aims to ensure that in times of crisis, the country has a guaranteed food supply. Buying thousands of hectares of farmland overseas gives the UAE direct access to additional food production. This policy was implemented through direct government contracts and support from private sector agribusiness partners.

Since 2008, the UAE has made these investments in developing countries with abundant land and water resources but underdeveloped agricultural sectors. Large tracts of land were purchased or leased in North Africa and South Asia. In Sudan, the UAE leased 400,000 hectares of farmland. However, the strategy has not proven as successful as hoped. Weak infrastructure, a poor security situation, and high political risk have affected the development of many of these ventures. In response to these early failures, the UAE has now shifted the focus of its international investment strategy and has begun investing in landholdings in established agro-producing regions such as Eastern Europe, Australia, and North and South America.

Besides the government efforts, private companies have also remained very active in the Emirates to ease food security concerns. For example, Al Dahra Agriculture Company signed a preliminary agreement with the Finance and Economy Minister of the Republic of Serbia in 2013 for agricultural investment in the country. The company invested in eight Serbian farming companies to upgrade agricultural infrastructure and irrigation systems, helping the company to acquire new agricultural machinery and technology and to develop existing agricultural lands for the cultivation of various crops (wheat, barley, corn, soybeans, sugar beet, citrus fruits and forage (alfalfa)) over an area of about 14,000

hectares of owned and leased land. A share of the crops production will be supplied to the UAE market while another portion will be dedicated for local consumption in Serbia and for marketing and trading on the international market.

The UAE has also developed a strategy to bolster its position as the hub for food trade in the Gulf Cooperation Council (GCC) and the entire Middle East, supporting regional food security. The country has an advanced network of ports, roads and air linkages, leading the UN to identify it as a key regional food hub. The UAE re-exports to its neighbors a large percentage of the food that it imports, and the government partners with the private sector to develop food storage and distribution facilities. In addition to the commercial benefits, developing the country's re-export industry will reduce risks to food security by ensuring that the country has a predictable supply of safe food for its residents.

In MY2016/17, the UAE's wheat consumption is forecast to reach 1.03 MMT of which only 5,258 MT will be imported from the US. The key suppliers of wheat will be Russia, Canada, Australia, Turkey, and India. In MY2016/17, barley imports will increase by 35 percent to reach 754 TMT, none from the US. The key suppliers of barley will be Australia, Argentina, France, and Russia.

In MY 2016/17, rice imports are expected to reach 1.29 MMT, of which the US will supply only 5,590 MT. The key rice suppliers are India, Pakistan, and Thailand.

Commodities:

Wheat

Barley

Rice, Milled

Production:

Production of wheat, barley, and rice is negligible in the UAE due to extreme heat, low rainfall and barren desert soil.

Consumption:

Wheat:

In MY 2016/17, Post's consumption estimate is 1.03 MMT with 8% increase from MY2015/16. The reasons for this growth are the UAE's steadily growing population and tourism industry. Annual figures released by the UAE's Tourism Departments show UAE attracted over 14 million visitors in 2015. Growing flight networks and local airlines have also boosted the in-flight catering industry. The post's consumption estimate of 1.03 MMT is calculated based on the data collected from the UAE's customs and statistics departments and it is 320 TMT lesser than USDA's estimate of 1.35 MMT.

Barley

In MY 2016/17, Post expects barley consumption to increase by nearly 15 percent from MY2015/16 reaching 555 TMT, which is 155 TMT greater than USDA's estimate of 400 TMT. The barley feed is

sold to farmers, traders, and poultry farmers. Most of the barley is used for camel, dairy cattle, and sheep and to a lesser extent in poultry rations. The reason for the growth in consumption is the enhanced animal production to feed the UAE's steadily growing population and tourism industry.

Rice

In MY 2016/17, Post expects rice consumption to reach 836 TMT with an increase of 16 percent from MY2015/16, and 226 TMT greater than USDA's estimate of 610 TMT amounting to 70-80kg of rice per capita per year. The UAE's average annual per capita consumption is well above the global average of 64kg and it is in proportion to the increase in the population. Another factor driving growth is the UAE's prominent position as a re-export hub.

Rice is a favorite food staple for the majority of people living in the UAE. The country has one of the highest per capita consumption rates of rice in the world. As incomes increase, people can afford to switch to high-value products such as meat, dairy products, fruits, and vegetables which could lead to a fall in rice consumption. The disproportionate high per capita consumption of rice in the UAE could be due to the skewed income distribution. While the overall per capita income of the UAE is high and would put it in the developed countries bracket, its per capita consumption of rice is more towards that of a developing country. The reason for this is that a substantial proportion of the population is expatriate Asian labor contracted at low wages mainly from India, Bangladesh, and the Philippines. Many of these laborers are provided food in the camps by their sponsors and rice is the cheapest staple food. Rice-based dishes are the cheapest meal that can be purchased at lower-end restaurants catering to this segment of the population. Emiratis and other Arab nationals are also regular rice consumers with Biryani, Mandi, and Madhbi being popular rice-based dishes. However, a high percentage of the rice is wasted especially in large banquets, weddings, and events. Indian basmati rice is the most popular rice in the UAE. India is the largest basmati exporter, accounting for over 80 percent of global trade, with the remainder primarily from Pakistan.

Trade:

Wheat

In MY 2016/17, wheat imports are expected to increase by 3 percent to reach 1073 TMT in comparison with 1.04 MMT in MY2015/16. Russia, Canada, Turkey, Australia, and India wheat remains more competitive than other sources, especially U.S. wheat, due to lower prices, lower freight costs, and proximity to the UAE. In MY2016/17, U.S. wheat exports will account for 5,257 MT. The price of Russian wheat is \$195 USD/MT whereas U.S. wheat is sold for \$230 USD/ MT. USA wheat is far more expensive and freight costs are higher.

In MY2015/16, the top wheat origin was Russia, followed by Canada, Turkey, Australia, and India (figure 1).

In MY2015/16, the UAE exported a total of 31 TMT mostly to Sri Lanka and Sultanate of Oman

The UAE is witnessing less re-exports of wheat because of the increasing local customer base. The countries to which the UAE used to re-export started to have their own storage facilities and capacity to store so they import directly. In MY2015/16, the total wheat re-exports reached 12 TMT mainly to Sri Lanka and Sultanate of Oman.

According to the UAE official statistics, only 10,000 KG of wheat were re-exported to Iran from Dubai. In Jan 2016, the sanctions on Iran were lifted; however we haven't seen any significant impact on wheat exports to Iran as of yet.

Barley

In MY 2016/17, total barley imports are expected to reach 754 TMT, 354 MT greater than USDA's estimate of 400 MT. This 35 percent increase is a result of the UAE government's decision to subsidize barley imports to local companies in 2016. However, based on the information received from reliable trade sources imports are expected to go down in MY2017/2018 because of the large ending stocks that resulted from excessive imports this year. Australia and Argentina barley remains more competitive than other sources especially U.S. barley, due to lower prices and lower freight costs. In MY2015/16, there were no exports of U.S. barley to the UAE except for 13 KG of barley flour according to Abu Dhabi Customs.

In MY2015/2016, the top barley origin was Australia, followed by Argentina, France, Russia and Ukraine (figure 2).

In MY2015/2016, the UAE re-exported a total of 18,159 MT of barley mostly to Sultanate of Oman and Kuwait

According to UAE official statistics, only 8,530 KG of barley were re-exported to Iran from Dubai. In Jan 2016, the sanctions on Iran were lifted; however Post hasn't seen any significant impact on barley exports to Iran as of yet.

Rice

In MY 2016/17, imports are expected to reach 1.29 MMT, 677 TMT higher than the USDA's estimate of 610 TMT. This increase is in proportion to the increase in population and consumption. The major rice suppliers are India, Pakistan, and Thailand. They remain more competitive than other sources due to preferable rice type (basmati rice), lower prices, and lower freight costs.

In MY2015/16, the top rice origin was India, followed by Pakistan, Thailand, and Vietnam figure (3). In MY2015/16, U.S. rice exports to the UAE reached 5,778 MT.

In MY2015/16, the UAE re-exported a total of 451 TMT of rice mostly to Iran and Sultanate of Oman

According to the UAE official statistics, 355 TMT of rice were re-exported to Iran from the UAE in MY2015/16. The sanctions on Iran were lifted in Jan 2016, but Post hasn't seen any significant impact on rice exports to Iran as of yet.

Stocks:

According to reliable trade sources, importers hold a six month supply of rice and barley in stocks. Some wheat importers maintain 2-4 months of wheat stocks depending on the type of wheat.

The UAE has invested billions of dollars in recent years to build silos in Abu Dhabi, Fujairah, and other Emirates to enhance the storage of large quantities of grains in addition to investing in advanced warehousing and transportation infrastructure to provide full connectivity among land, sea, and air, allowing for the quick and efficient transfer of goods in and out of key logistical transportation hubs such as Abu Dhabi's Zayed Port or Khalifa Port and Industrial Zone in Abu Dhabi, through to Dubai World Central and Dubai Logistics City.

Post forecasts wheat ending stocks at 169 MT in line with the USDA's estimate as well as the importers' plans to maintain strategic stocks of 2-4 months of consumption to avoid any shortages.

Post forecasts barley ending stocks at 181 TMT and this goes in line with the UAE government's plan to hold a six month supply of barley. As previously mentioned, the UAE Government subsidized barley imports to local companies this year, which enhanced the quantities imported to the UAE. However, according to reliable trade sources the UAE Government will remove all barley subsidies effective September 2016.

As for rice, Abu Dhabi Ports and Al Dahra Agriculture LLC, a leading international agribusiness company, have celebrated the ground breaking for its rice milling, storage, and distribution plant's silos at Khalifa Industrial Zone Abu Dhabi (Kizad) last November. Al Dahra Kohinoor LLC, a joint venture of Al Dahra Holding of Abu Dhabi and Kohinoor Foods of India, will produce up to 80,000 MT of rice per annum. The facility will be handling the full production cycle from milling, storing, packing and distributing the rice within the UAE and exporting to foreign markets via Khalifa Port. This operation is scheduled to launch by the second quarter of 2016. This AED140 million (\$38 million USD) facility that is the first of its kind and set to be the largest rice factory in the Gulf region, will contribute to the realization of the UAE's long-term food security vision.

Policy:

There are no restrictions on wheat, rice, and barley trade in the UAE. In fact, the UAE Government facilitates the entire trade process within its plan to act as a regional trade hub.

The UAE Government is expanding the number of subsidized national goods provided to Emirati citizens. The list includes basic commodities such as rice and flour. Half a million Emiratis are currently benefiting from these subsidized commodities through Khalifa Bin Zayed Humanitarian Foundation, a government-owned entity.

Because of the subsidy provided by Abu Dhabi government to millers in Abu Dhabi, the millers are not allowed to sell flour produced in Abu Dhabi to other Emirates, and the flour is sold to bakeries, municipalities, hypermarkets and grocery stores in Abu Dhabi. The cost of 50kg of flour is 98 AED (\$26.6 USD) plus an additional 15-20% profit, however, the 50kg of flour is sold to locals at a final

price of 71AED (\$19.3 USD) after subsidy. The cost of 50kg of rice is 240AED (\$65 USD) and is sold to Emiratis through union cooperatives for 120 AED (\$32.6 USD).

Marketing:

Wheat is imported through major wheat importers and mills in the UAE. The Grand Mill in Abu Dhabi is government-owned while the rest are private sector mills. The mills package the flour and provide a continuous supply to bakeries, hypermarkets, and retailers.

Barley is imported and distributed through government owned companies and private sector traders.

Rice in the UAE is imported and distributed through private sector traders that package and provide continuous supply to retailers.

Production, Supply and Demand Data Statistics:

| Wheat | 2014/2015 | | 2015/2016 | | 2016/2017 | |
|----------------------|---------------|----------|---------------|----------|---------------|----------|
| Market Begin Year | Jul 2014 | | Jul 2015 | | Jul 2016 | |
| United Arab Emirates | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 180 | 180 | 119 | 119 | 169 | 169 |
| Production | 0 | 0 | 0 | 0 | 0 | 0 |
| MY Imports | 1489 | 1165 | 1650 | 1041 | 1650 | 1073 |
| TY Imports | 1489 | 1165 | 1650 | 1041 | 1650 | 1073 |
| TY Imp. from U.S. | 59 | 31 | 0 | 5 | 0 | 5 |
| Total Supply | 1669 | 1345 | 1769 | 1160 | 1819 | 1242 |
| MY Exports | 300 | 298 | 300 | 43 | 300 | 43 |
| TY Exports | 300 | 298 | 300 | 43 | 300 | 43 |
| Feed and Residual | 100 | 100 | 100 | 100 | 100 | 100 |
| FSI Consumption | 1150 | 828 | 1200 | 848 | 1250 | 930 |
| Total Consumption | 1250 | 928 | 1300 | 948 | 1350 | 1030 |
| Ending Stocks | 119 | 119 | 169 | 169 | 169 | 169 |
| Total Distribution | 1669 | 1345 | 1769 | 1160 | 1819 | 1242 |
| | | | | | | |

(1000 HA) ,(1000 MT)

| Barley | 2014/2015 | | 2015/2016 | | 2016/2017 | |
|----------------------|---------------|----------|---------------|----------|---------------|----------|
| Market Begin Year | July 2014 | | July 2015 | | July 2016 | |
| United Arab Emirates | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 0 | 0 | 0 | 0 | 0 | 0 |
| MY Imports | 367 | 362 | 500 | 490 | 400 | 754 |
| TY Imports | 367 | 362 | 500 | 490 | 400 | 754 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|---------------------------|-----|-----|-----|-----|-----|-----|
| Total Supply | 367 | 362 | 500 | 490 | 400 | 754 |
| MY Exports | 0 | 0 | 0 | 18 | 0 | 18 |
| TY Exports | 0 | 0 | 0 | 18 | 0 | 18 |
| Feed and Residual | 367 | 362 | 500 | 472 | 400 | 555 |
| FSI Consumption | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Consumption | 367 | 362 | 500 | 472 | 400 | 555 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 181 |
| Total Distribution | 367 | 362 | 500 | 490 | 400 | 754 |
| | | | | | | |
| (1000 HA) ,(1000 MT) | | | | | | |

| Rice, Milled | 2014/2015 | | 2015/2016 | | 2016/2017 | |
|---------------------------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| Market Begin Year | Jan 2014 | | Jan 2015 | | Jan 2016 | |
| United Arab Emirates | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 100 |
| Milled Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Rough Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Milling Rate (.9999) | 0 | 0 | 0 | 0 | 0 | 0 |
| MY Imports | 580 | 794 | 600 | 1248 | 610 | 1287 |
| TY Imports | 580 | 794 | 600 | 1248 | 610 | 1287 |
| TY Imp. from U.S. | 7 | 7 | 0 | 6 | 0 | 6 |
| Total Supply | 580 | 794 | 600 | 1248 | 610 | 1387 |
| MY Exports | 0 | 299 | 0 | 451 | 0 | 451 |
| TY Exports | 0 | 299 | 0 | 451 | 0 | 451 |
| Consumption and Residual | 580 | 495 | 600 | 697 | 610 | 836 |
| Ending Stocks | 0 | 0 | 0 | 100 | 0 | 100 |
| Total Distribution | 580 | 794 | 600 | 1248 | 610 | 1387 |
| | | | | | | |
| (1000 HA) ,(1000 MT) | | | | | | |

Author Defined:

