

## **Live, Chilled and Frozen Meat (Sheep) Trade, GCC**

Market study focused on the UAE, Kuwait, Qatar and Bahrain

April, 2011

Prepared For  
The World Society for the Protection of Animals



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## About this report

Market Vision has been commissioned by the World Society for the Protection of Animals (WSPA) to undertake a research study to understand the intricacies of the Australian live sheep, chilled and frozen sheep meat trade in select Gulf Cooperative Council (GCC) countries.

The purpose of the study is to understand how the chilled and frozen sheep meat trade can be promoted in the GCC.

To initiate a change from a live sheep trade to a chilled and frozen sheep meat trade in the GCC, it is necessary to understand some key issues that would help make informed decisions and take the necessary steps forward in bringing about that change.

These include:

- Statistics on available refrigeration capacity in these markets to support a shift to chilled and frozen sheep meat trade
- An analysis of tariffs and subsidies applied to the trade
- An economic analysis of live sheep versus chilled and frozen sheep meat trade from the importers' point of view, and
- An understanding of the extent of slaughtering of Australian sheep by private buyers versus in abattoirs

This report is aimed to provide a detailed understanding of and insights into these key issues in the GCC, with a focus on the United Arab Emirates (UAE), Bahrain, Kuwait and Qatar. These countries were chosen due to logistical considerations and the high level of live export to them from Australia.

The findings of the study presented in the report are based on analysis of secondary and primary research undertaken in the GCC during the months of January – March 2011.

## 4. Tariffs and subsidies on imports of live animals, chilled and frozen meat in the GCC

### 4.1 Tariffs on import of live animals, chilled and frozen meat

In January 2003, the GCC countries adopted the Customs Union of the GCC Member States (GCC Customs Union) wherein customs duties and trade restrictions among the constituent states are abolished, and wherein common customs duties and external trade regulations are implemented.

The GCC Customs Union stipulated that

1. A Common External Customs Tariff of 5% on all foreign goods imported from outside of the Customs union, while a list of 417 commodities (subheadings) was exempt from all customs duties, in addition to the exemptions provided for in the Unified Customs Regulation "Law" of the GCC States such as diplomatic imports
2. Unified customs regulations and rules applicable in all member States
3. Free movement of goods among the GCC States without customs or non-customs restrictions, while taking into consideration the implementation of the veterinary and agricultural quarantine regulations and the prohibited and restricted goods
4. Treatment of goods produced in any of the GCC States as national products
5. Single Point of Entry into the GCC States - the first customs port of the GCC States versus the external world shall conduct the inspection of the goods imported to any member State, verify their conformity to the required documents, ensure that they do not contain any prohibited commodities and collect the applicable customs duties

Under the GCC Customs Union, live animals, fresh and chilled meat are exempt from customs duty while frozen meat products are charged a 5% customs duty.

Details on exemptions and tariffs applicable on livestock, fresh and chilled and frozen meat products as per the Harmonized Commodity Description and Coding System (HS Code) in the GCC countries are as follows:

#### **Tariff for Live Animals:**

Chapter 1 – 0104 Live Animals/Live Sheep and Goats:  
HS Code 01041010, 01041090, 01042010, 01042090  
– Pure-bred breeding animals – Free of duty

#### **Tariff for Fresh, Chilled or Frozen Meat:**

Chapter 2 – 0204 Meat of Sheep or Goat, Fresh, Chilled or Frozen:  
HS Code 02041000, 02042100, 02042200, 02042300  
- Carcasses and Half-Carcasses and Cut with Bone In, Fresh or Chilled – Free of Duty  
- Carcasses and Half-Carcasses and Cut with Bone In, Frozen – 5% Duty

Estimations of tariff revenues to the individual GCC countries from the import of frozen Australian sheep meat in 2010 indicate that this tariff does not bring significant revenues to the governments.

The total amount paid in tariffs for the frozen meat trade to the governments of UAE, Bahrain, Kuwait and Qatar in 2010 is estimated at about US\$2.8 million.

**Table 1 Estimated tariffs paid for Australian frozen sheep meat, by country, 2010 (US\$ million)**

Country	Australian frozen sheep meat imports <sup>1</sup> (tonnes)	Tariff value <sup>2</sup> (US\$)
<b>UAE</b>	13,021	1,750,022
<b>Kuwait</b>	4,402	595,370
<b>Bahrain</b>	3,250	440,700
<b>Qatar</b>	88	11,871

<sup>1</sup>Data source: D.A.F.F. (2011)

Note: Frozen sheep meat data includes data for frozen mutton and lamb

<sup>2</sup>Data source: Market Vision

Note: Tariff value figures are estimates only (by Market Vision), and may vary from actual tariffs paid to the individual governments in 2010

The GCC countries are also attempting to put together uniform laws relating to labelling, shelf life and food safety aspects for imported food and beverage products for the region. However, there still exist differences in regulations where members fail to reach agreement so each GCC country has its own specific regulations.

## 4.2 Subsidies on import of live animals, chilled and frozen meat

The governments of individual GCC countries subsidize various food products to make them more affordable for the local population. Live Australian sheep meat is subsidized in Bahrain, Kuwait and Qatar. Subsidies granted are only given for those sheep that are slaughtered domestically. The subsidy is on the slaughter price.

The UAE government does not subsidize live Australian sheep meat.

In Kuwait, the subsidized price in retail for fresh, slaughtered Australian sheep meat is fixed at KD1 (US\$3.57) per kg.

In Bahrain, the subsidized retail price is fixed at BD1 (US\$2.65) per kg, while in Qatar, the subsidized retail price for fresh, slaughtered Australian sheep meat is QR 14.50 (US\$3.98) per kg.

It is estimated that the total subsidies paid by the governments of Kuwait, Bahrain and Qatar for live Australian sheep in 2010 were of the order of about US\$249 million.

Table 2 **Estimated subsidies paid for live Australian sheep, by country, 2010 (US\$ million)**

Country	Australian live sheep imports <sup>1</sup> (Number of heads)	Subsidy value <sup>2</sup> (US\$ million)
<b>Kuwait</b>	1,076,455	137.28
<b>Bahrain</b>	498,731	73.70
<b>Qatar</b>	321,415	38.09

<sup>1</sup>Data source: Australian Bureau of Statistics (2011)

<sup>2</sup>Data source: Market Vision Data

Note: These subsidy figures are estimates only (by Market Vision), and may vary from actual subsidies paid by the governments in Kuwait, Bahrain and Qatar

## 5. Economic cost analysis of live sheep versus chilled and frozen sheep meat trade

In order to make informed decisions about how to promote/encourage chilled and frozen meat imports among importing countries, an economic cost analysis of live sheep versus chilled and/or frozen meat trade was undertaken from the importers' point of view.

Channels to market live sheep and chilled/frozen meat differ, impacting cost.

Figure 1 **Channels to market live sheep**

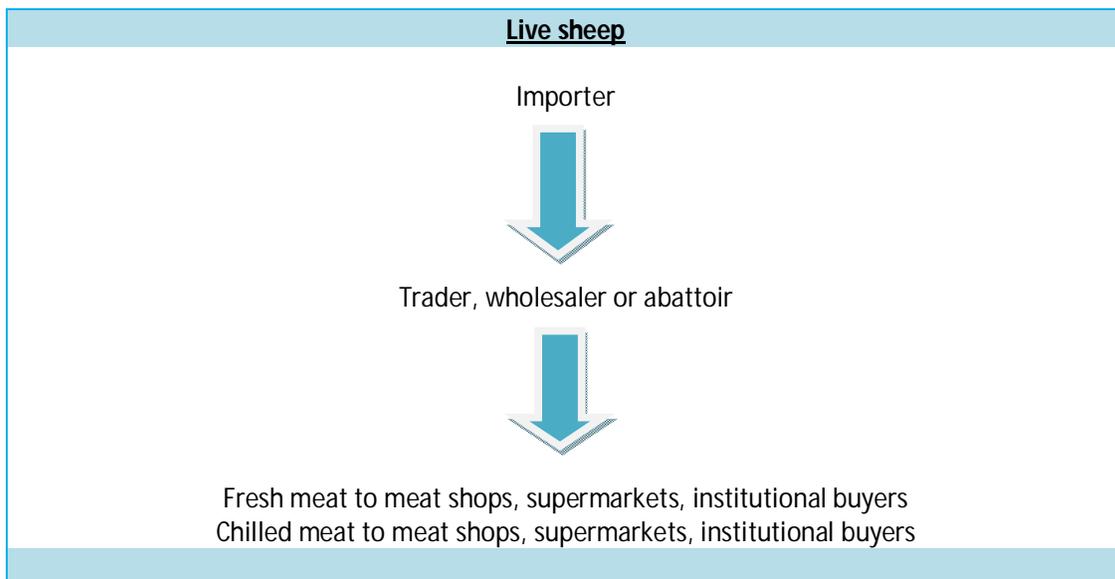
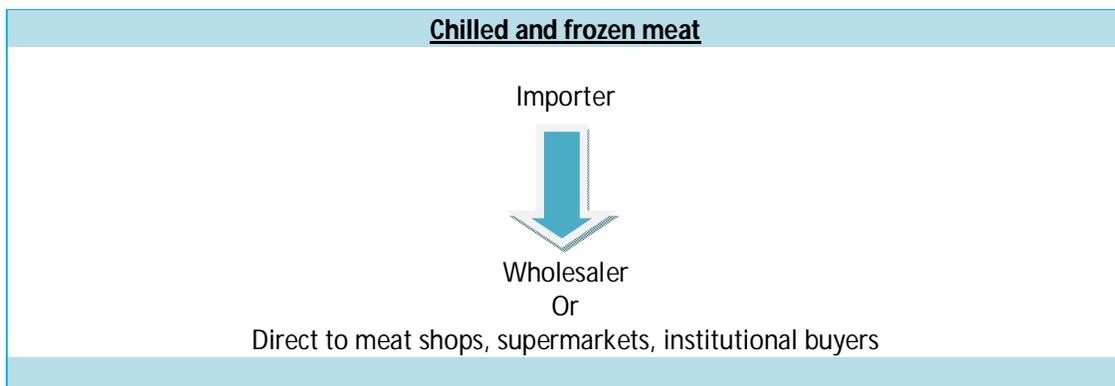


Figure 2 **Channels to market chilled and frozen sheep meat**



While the detailed elements of cost associated with importing live sheep versus chilled and frozen meat differ, they broadly fall under four main categories: landed cost of product, local storage and transportation costs in importing country, marketing costs and other costs.

Table 3 **Elements of cost for live sheep versus chilled and frozen sheep meat trade**

Item	Live sheep trade	Chilled / frozen meat trade
1. Importer's purchase price	✓	✓ <i>Slaughter cost included</i>
2. Sea freight & insurance	✓	✓ <i>Air freight for chilled meat</i>
3. In transit expenses	<i>Cost of veterinarian on board</i>	-
	<i>Food and water for sheep</i>	-
	<i>Death of sheep, estimated at 1% of load</i>	-
4. Documentation	✓	✓
5. Customs duty/tariff	-	<i>5% for frozen meat imports</i>
<b>Landed cost (1-5)</b>		
6. Holding costs	✓	✓
7. Transport to slaughter	✓	-
8. Transport to storage/retail	✓	✓
<b>Storage and transportation costs (6-8)</b>		
9. Marketing and promotion	✓	✓
10. Trade margins	✓	✓
<b>Marketing costs (9-10)</b>		
11. Slaughter cost	✓	-
12. Other charges/costs	✓	✓
<b>Slaughter and other costs (11-12)</b>		

Source: Market Vision

While live sheep from Australia are typically transported via sea transport that is more economical than air freight that is used for importing chilled sheep meat from Australia, analysis shows that the landed cost for live animals versus chilled sheep meat from Australia do not vary significantly. This is due to additional in-transit costs associated with importing live sheep including cost of a veterinarian on board the ship, food and water for the sheep, and loss of sheep by death in-transit (estimated at 1% of load).

The landed cost of imported frozen sheep meat also points to marginal differences when compared with the landed cost of live sheep.

Therefore, it may be argued that there is no significant cost advantage to importers in the UAE, Kuwait, Bahrain and Qatar from importing live animals versus chilled and/or frozen sheep meat.

**Table 4 Landed cost of live Australian sheep versus chilled and frozen sheep meat in importing country, 2010 (US\$ per kg)**

Country	Live sheep meat (US\$ per kg)	Chilled sheep meat (US\$ per kg)	Frozen sheep meat (US\$ per kg)
<b>Bahrain</b>			
Landed cost	7.75	8.75	7.88
<b>Kuwait</b>			
Landed cost	7.53	8.50	7.64
<b>Qatar</b>			
Landed cost	7.31	8.25	7.43
<b>UAE</b>			
Landed cost	6.99	7.90	7.06

*Data source: Market Vision*

*Note: Landed cost per kg for live sheep meat is computed on basis of average 22 kg of meat per sheep head*

While importing live sheep entails additional costs of transportation to slaughter house and slaughtering, the chilled and frozen sheep meat trade benefits importers in that there are no such costs associated with sheep meat trade. Marketing and all other costs are about the same for live sheep, chilled and frozen sheep meat trade.

Despite the obvious additional costs associated with the live sheep trade, a comparative analysis of average retail selling prices of live sheep meat versus chilled and frozen sheep meat products shows that there is substantial difference in average retail selling prices (higher retail price) of chilled and frozen sheep meat versus that of live sheep meat in markets where freshly slaughtered Australian sheep meat is sold at subsidized rates in Kuwait, Qatar and Bahrain.

On the other hand, the average retail selling prices of fresh, chilled and frozen sheep meat do not differ significantly in the UAE, where Australian live sheep meat does not benefit from subsidies.

**Table 5 Retail sale price of live Australian sheep versus chilled and frozen sheep meat in importing country, 2010 (US\$ per kg)**

Country	Live sheep meat (US\$ per kg)	Chilled sheep meat (US\$ per kg)	Frozen sheep meat (US\$ per kg)
<b>Bahrain</b>			
Retail price	2.65	11.93	10.21
<b>Kuwait</b>			
Retail price	3.57	10.03	9.70
<b>Qatar</b>			
Retail price	3.98	10.98	9.75
<b>UAE</b>			
Retail price	6.99	7.90	7.06

*Data source: Market Vision*

It would appear that the resulting lower retail price for fresh meat from live Australian sheep, on account of government subsidies, promotes demand substantially in Kuwait, Qatar and Bahrain,

when compared with the higher retail prices for chilled and frozen sheep meat that do not benefit from such subsidies.

Demand for Australian chilled and frozen sheep meat would likely increase if similar subsidies as for live sheep meat were applied to chilled and frozen sheep meat.

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